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What is the impact of repaying income-contingent student loan debt on graduates' lives? Lessons from England

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ABSTRACT

Faced with higher education (HE) expansion and limited public funding, governments worldwide use student loans to shift costs onto graduates. Income-contingent loans (ICLs) are considered a potential solution, protecting debtors from excessive loan repayments, financial hardship, and default. Governments adopting ICLs promote them as benign while encouraging indebtedness and normalising it. Yet, policymakers and researchers largely ignore the realities for graduates of repaying ICL debt. Very little is known about the actual consequences of ICL debt for graduates. This paper explores the impact of ICL debt on graduates' lives, drawing on 47 in-depth qualitative interviews with English graduates 10–12 years after graduation. Our findings reveal a continuum of experiences: while most graduates experience little to no impact, a significant minority of graduates face adverse effects, restricting their life choices. For these graduates, contrary to policy rationalities, ICLs' protective features fail. We argue that this failure arise in part because ICLs seek to alleviate the financial burden of debt but not its psychological burden. Student loan policies globally need to recognise the potential negative impact of student debt and seek to better protect vulnerable graduates from both the financial and psychological burden of debt.

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Student loans; debt burden; impact of student loan debt; income-contingent loans; England

Introduction

Faced with higher education (HE) expansion and limited public funding, governments globally have resorted to student loans to shift more of HE's costs onto graduates. But there are now growing concerns about graduates' rising student loan debt, and its potentially damaging consequences for graduates, governments, and society (Black 2022; Scott-Clayton 2018).

The challenge for governments worldwide is designing an efficient, equitable, and affordable student loan system which renders student debt manageable for graduates. Governments have two main options: time-based repayment loans (TBRLs) or

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income-contingent loans (ICLs). TBRLs are the commonest worldwide (Williams and Usher 2022), with repayments determined by the amount borrowed plus interest, divided by the duration of the loan. By contrast, ICL repayments are based on graduates' income which helps to protect debtors from excessive repayments, financial hardship or defaulting on repayments, reducing the financial burden of debt. Such safeguards are unachievable with TBRLs.¹

Globally, ICLs are seen as a solution to financial distress resulting from student loan debt. ICL's policy rationalities (Ball 2021), especially their protective features, lead policy-makers and others to assume that ICL debt will not adversely affect graduates' lives in significant ways – that these loans are largely harmless. Indeed, governments worldwide adopting ICLs encourage indebtedness, normalising it as an 'investment' in future earnings potential (Pathak 2014). In doing so, governments – and most extant research – ignore graduates' experiences of repaying ICL debt and fail to acknowledge that repaying ICLs may have negative repercussions for graduates' lives, stemming from both the financial and psychological burdens of debt.

While endorsing the benefits of ICLs compared to TBRLs, this paper asks how does ICL debt impact on graduates' lives in England? It calls upon findings from 47 in-depth interviews with English graduates 10–12 years after graduation which explored how student loan debt affected their lives. We show the varying effect of student debt on these graduates' choices. For a majority of graduates ICL debt has little or no influence on their lives. However, for some graduates ICLs' protective features are ineffective and, to different degrees, the impact is negative, fuelled by the psychological burden of debt.

England provides an illuminating case from which to address the pressing question of the impact of ICL debt on graduates' lives. It has a well-established ICL system of over 20 years and is often showcased in international policy and academic studies (e.g. Barr et al. 2019; Britton, van der Erve, and Higgins 2019). Loan take-up and average debt are especially high in England compared with other countries with ICLs (OECD 2021) with take-up reaching 95% in 2021/22 and average debt on graduation of around £47,000 in recent years (Bolton 2023). Consequently, student debt is normalised and not limited to graduates with specific demographic and socio-economic characteristics, unlike in some countries (Addo, Houle, and Simon 2016; Scott-Clayton 2018). Because of English graduates' high debt and the student loan repayment system, repayment also takes longer than for graduates elsewhere (Waltmann 2022a), providing an opportunity to explore the influence of student debt on wide-ranging longer-term life-course milestones.

This research is significant because of ICL's perceived role in combating growing global concerns about graduates' rising student debt alongside the scarcity of studies about their impact on graduates' lives. The realities of repaying ICL debt have largely been ignored. To the best of our knowledge, there are no published studies which comprehensively explore the impact of ICLs on numerous aspects of graduates' lives even for instance, in Australia, the first country to introduce such loans. The mostly US-based academic literature on indebted graduates has limited relevance because TBRLs dominate. Importantly, our qualitative lens counters the overrepresentation of quantitative, mostly economic, studies which limit our understanding of graduates' subjective experiences of student loan debt and its influence on their lives. Our approach adds value by, for the first time, highlighting qualitatively the impact of ICL debt on graduates, to inform a more rounded global debate about student funding.

Policy context

ICLs, first introduced in Australia in 1989, are now available in New Zealand, the UK, Hungary, and Columbia. Several other countries have partial coverage including the US, South Korea, the Netherlands, Brazil, and Japan. ICLs have various protective features which seek to alleviate the financial burden of student loan debt by making repayment less financially onerous, and thus averting financial hardship (e.g. Barr et al. 2019; B. Chapman, Dearden, and Doan 2022). The parameters of these protective features can vary between countries, and over time in a particular country with different consequences for the costs to debtors and government (Britton, van der Erve, and Higgins 2019) but all are central to ICL's policy rationalities. Specifically, ICL's inbuilt safeguards include government-provided loans with government-set:

- loan repayment thresholds – the income at which graduates start making loan repayments;
- the repayment rates – the share of income that graduates must repay – and whether the rate applies to the income above the threshold or the total income;
- the repayment or loan write-off period;
- the interest rates charged on the loan; and
- repayments collected via the tax system.

As a result of these protective features, ICLs are promoted as a more equitable, effective, and desirable policy instrument than 'inferior' traditional student loan approaches (B. Chapman and Dearden 2021, 1). They are seen as positive with equitable outcomes because they remove up-front cost barriers to HE while those who benefit financially from HE contribute towards its costs when they can afford to, reducing risk aversion in HE decisions (Britton, van der Erve, and Higgins 2019; B. Chapman, Dearden, and Doan 2022). ICLs are also deemed progressive because higher earning graduates repay more and are subsidised less by government than lower earning graduates (Chowdry et al. 2012), unlike loan systems with blanket subsidies that ICLs often replace. Where repayments are collected through the tax system, ICLs are lauded as efficient because debt recovery and administration costs are low (Berlinger 2009). Additionally, ICLs can encourage participation, helping to fund HE expansion and the sector's financial sustainability (Murphy, Scott-Clayton, and Wyness 2019). The main criticism aimed at ICLs, especially in England where debt is high and historically repayment rates low, is their cost to government (Waltmann 2022b). Consequently, ICLs are depicted by policymakers as largely harmless. At the same time, the amount borrowed is regarded as immaterial for graduates because repayments are based on income rather than the amount borrowed.

Governments adopting ICLs emphasise these benefits. For instance, the Australian report recommending the introduction of ICLs stated 'young taxpayers are not discriminated against and high-income taxpayers simply pay at a quicker rate' (Wran et al. 1988, 29). In 2022, the Columbian Deputy Secretary of Education described the new income-contingent repayment option with the following words 'it does not affect young people, it does not affect families' (author's translation, Gómez 2022). More recently, the US Secretary of Education argued that the proposed shift from TBRLs to ICLs will

mean that borrowers can ‘focus on building brighter futures for themselves and their families’ (U.S. Department of Education 2023, para. 2). Similarly, English policy documents consistently portray ICLs as fair and progressive with equitable outcomes (e.g. Department for Business, Innovation and Skills 2011; Department for Education 2019, 2022). For instance, the Westminster government’s formal equality impact analysis of its most recent reforms to ICLs introduced in 2024 which will lead to more low earning graduates making larger repayments and for longer declared:

The system overall remains progressive with a fairer burden of cost spread across graduate borrowers ... we do not believe that the student finance changes are sufficient to induce significant behaviour changes or preclude participation in either higher education or the labour market. (Department for Education 2022, 13)

Only recently have some reports started to question the perceived harmlessness of ICLs. The 2024 Australian Universities Accord in reviewing ICLs warns that

Whilst HELP [Higher Education Loan Program] has been a successful enabler of university access, there is a risk that rising HELP debts will create a barrier to students. Reform of the system is necessary to ensure HELP arrangements remain fair and fit for purpose and continue to meet student needs. (Department of Education 2024)

The Report however primarily emphasises the deterrent effects of student loan debt on HE participation, especially among disadvantaged students, rather than exploring in any depth the effects of higher loan debt on graduates’ lives and opportunities. In England, the 2019 Review of Post-18 Education and Funding acknowledges that ‘a significant minority of university students are left stranded with poor earnings and mounting “debt”.² This has personal consequences for those whose expectations have been disappointed and economic consequences for the state that foots the bill’ (Department for Education 2019, 65). Yet, beyond this brief acknowledgment, the Review, like other English government documents, focuses solely on the economic consequences of student loan debt for the state and on reducing public expenditure, ignoring the economic and personal consequences of student debt for graduates.

Literature review

At the time of writing, no research in England, to our knowledge, comprehensively examines the impact of ICL debt on graduates’ lives, choices, and behaviour. UK and US studies of prospective and current students show how student loan debt can shape HE decisions and provoke wide-ranging emotional responses. However, these studies can at best capture ‘imagined futures’ (Harris, Vigurs, and Jones 2021, 132), not graduates’ actual experiences of student debt.

Focusing on indebted graduates, research using economic modelling has explored the cost of student loans. For instance, Chapman and Doan (2019) assess the costs and benefits of different approaches to student loans, including the financial risks borne by lenders and borrowers, while Britton et al. (2020) analyse the financial returns of HE for graduates and taxpayers. However, these studies provide no insights into graduates’ lived experiences of being indebted and repaying their loans.

Other international research examines the consequences of student debt for graduates’ lives. De Gayardon et al. (2018) examined this research globally and found mainly

US-based studies and few from countries with ICLs. Primarily quantitative, the research concentrates on student debt's impact on a variety of measurable outcomes and the achievement of life-course milestones. The studies reviewed, and more recent research, suggest no agreement on the impact of student loan debt on decisions to participate in postgraduate studies. While some studies find no relationship between student loan debt and enrolment in postgraduate studies (Monks 2001; Perna 2004; Rothstein and Rouse 2011; Velez, Cominole, and Bentz 2019), others find a negative relationship (Malcom and Dowd 2012; Zhang 2013), and a small number a positive relationship (Azmat and Simion 2017; D. Kim and Eyeremann 2006). Similarly, there is no consensus on the effects of student loan debt on graduates' occupational choices. Indebted graduates in the US were found to forego careers in education or other occupational/industrial sectors such as entertainment (S. Chapman 2016), to avoid the financial risks necessary to start a business (Checovich and Allison 2016), and to prefer occupations related to their major (Velez, Cominole, and Bentz 2019). Other studies however find no relationship between student loan debt and career choices, including in the UK non-graduate employment (Purcell et al. 2005) and being on a temporary or permanent contract (Azmat and Simion 2017), and in the US working in the public sector (Velez, Cominole, and Bentz 2019; Zhang 2013), and changing career plans while enrolled (Monks 2001).

Studies examining the relationship between student loan debt and earnings find no consensus on the direction of the relationship. Several conclude that higher debt is related to lower earnings (Ji 2017; Price 2004; Weidner 2016), while others find the opposite (S. Chapman 2016; Luo and Mongey 2019; Rothstein and Rouse 2011; Velez, Cominole, and Bentz 2019). A number of these studies, including one from Canada and one from the UK, suggest there is no relationship between student loan debt and earnings (Gervais and Ziebarth 2016; Goodman, Isen, and Yannelis 2018; Luong 2010; Purcell and Elias 2010; Zhang 2013). A study in England examining the effects of the 2006 increase in tuition fees hints at a socio-economic gap in the relationship between student debt and earnings, with higher earnings for individuals from high SES-backgrounds relative to other SES categories (Azmat and Simion 2017).

The lack of consensus on student loan debt and early-career earnings seems to provide evidence for two schools of thought on the labour market behaviour of graduates with debt. One is that debtors take the highest paying jobs to enable paying off their debt more quickly; another hypothesis is that indebted graduates are more likely to take any job that is offered in order to begin repayment.

There is more consensus about the negative relationship between student debt and homeownership; marriage and family formation, especially for women; health; and financial wellbeing including savings for retirement (e.g. de Gayardon et al. 2018; Dettling, Goodman, and Reber 2022; Velez, Cominole, and Bentz 2019). Holding student loan debt is generally thought to be negatively associated with owning a home, housing value and equity (Elliott and Lewis 2015; Hiltonsmith 2013; Zhan, Xiang, and Elliott 2016), even in the context of England's ICLs (de Gayardon, Callender, and Desjardins 2021).

Student debt can also influence social outcomes such as getting married and having children. The literature is divided between studies finding a negative relationship between student loan debt and marriage (Gicheva 2016; Robb and Schreiber 2019; Velez, Cominole, and Bentz 2019) and those finding no such relationship (Gervais and Ziebarth 2016; Zhang 2013). Among studies that examine the relationship empirically,

findings suggest it either only existed for women or was much stronger for women than men. A rare qualitative study suggests that indebted graduates worry about ever being financially secure enough to marry (Napolitano et al. 2022), exposing the link between student debt and marriage.

As with marriage, empirical evidence suggests that student loan debt and the decision to have children are inversely related (Marks 2009), with some studies indicating this relationship is true for women only (Nau, Dwyer, and Hodson 2015; Velez, Cominole, and Bentz 2019). Recent US research highlights an ethnic gap – including a negative relationship between student loan debt and first birth for Hispanic women as well as for marital first birth for White women, and a positive relationship for Black women (Min and Taylor 2018).

The repayment burden of student loans means that, whatever the loan repayment scheme, individuals have less money to spend on consumption or to invest. Research based in the US and Canada finds an inverse relationship between student loan debt and wealth – with wealth mostly being defined as net worth (Elliott and Nam 2013; Hiltonsmith 2013; Zhan, Xiang, and Elliott 2016; Velez, Cominole, and Bentz 2019). The link to savings is more complex, with some research indicating a negative link between student loan debt and investments (Batkeyev, Krishnan, and Nandy 2016) and savings (Hiltonsmith 2013), while other research finds no link (Goodman, Isen, and Yannelis 2018).

Studies also suggest that student loan debt is positively associated with the incidence of financial distress. It is related to financial struggle (Baum and O'Malley 2003; Dugan and Kafka 2014), skipping or making late payments (Bricker and Thompson 2016; Despard et al. 2016; Gicheva and Thompson 2015), being denied credit (Bricker and Thompson 2016; Gicheva and Thompson 2015), as well as experiencing bank overdrafts, bankruptcy, and food insecurity (Despard et al. 2016; Gicheva and Thompson 2015). Overall, the US literature suggests that student loan debt and financial wellbeing are inversely related, in both the short- and long-term.

However, the dominance of findings from the US, with its complex loan system overshadowed by TBLRs (Barr et al. 2019; Velez, Cominole, and Bentz 2019), makes most of this research potentially inapplicable to countries with ICLs. Moreover, these studies are primarily economic-driven and quantitative, constraining our understanding of graduates' subjective experiences of student debt. They mainly focus on the financial burden of loan repayments, ignoring the psychological burden of student debt.

Research does exist on the effects of student loan debt on graduates' psychological well-being and the psychological consequences of debt, but it is scarce and again US-based. It suggests for instance, that student debt is negatively related to psychological functioning, psychological well-being, mastery and self-esteem, and life satisfaction (Dwyer, McCloud, and Hodson 2011; J. Kim and Chatterjee 2019, 2021; Tay et al. 2017; Walsemann, Gee, and Gentile 2015), while being positively linked to financial worry (Tay et al. 2017). Other research indicates that the subjective experience of student debt matters, beyond any objective measures like the amount of debt, hinting further at the psychological burden. Field (2009) illustrates the negative psychological costs of carrying debt: law school graduates in the US were more likely to pursue public interest careers when offered conditional grants that would convert to loans if graduates opted out of public service, than when offered loans that would convert to grants if their service obligations were fulfilled, even though the two options were financially equivalent. Further research

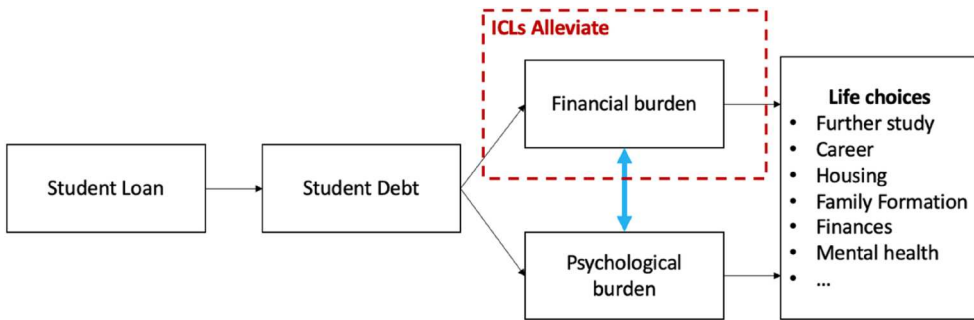


Figure 1. Conceptual framework: the pathway to impact of student loan debt on graduates.

demonstrates how student debt can elicit adverse emotional responses by graduates including stress, fear, anger, and frustration both in the US (Akers and Chingos 2016; Napolitano et al. 2022) and in England with ICL repayments (Callender and de Gayardon 2021; Callender and Davis 2023; Ghaffar 2023).

As revealed during the interviews in this study and building on the findings from other studies on indebted graduates in England (Callender and de Gayardon 2021; Callender and Davis 2023) which point to the psychological stress associated with student loan debt, we suggest that, beyond the financial burden of student debt, the psychological burden needs consideration when exploring the impact of ICL debt on graduates' lives (Figure 1).

As Figure 1 posits, student loan debt can prompt both a financial and psychological burden which can influence graduates' life choices. The financial burden associated with loan repayments can interact with the psychological burden of debt and *vice versa*, and together they shape the impact of debt. As discussed, the protective features of ICLs seek to alleviate the financial burden of student loan repayments. In doing so, it might also indirectly ease graduates' psychological burden by reducing the psychological toll associated with financial hardship. This framework explains why policymakers often view ICL debt as relatively harmless. However, as our study suggests, the protective features of ICLs do not alleviate the burden for all graduates. For some, the psychological burden of debt persists, albeit to varying degrees.

Disentangling empirically the financial and the psychological burden of student loan debt and their respective impacts is difficult, because of the way they interact. Both burdens, and their interaction, can affect graduates' choices and decisions and are important when examining the impact of ICL debt. By acknowledging both burdens, this study seeks to comprehensively explore the longer-term consequences of ICL debt on English graduates, unlike any existing studies.

Methodology

Policy context for study participants

Since 2006, all English domiciled students studying in the UK have been eligible for government funded ICLs covering all their tuition fees and some maintenance. They start repaying their loans after graduating and once their income reaches the government-

set threshold, which for graduates in this study was £15,000 until April 2012 and £19,390 when interviewed in Autumn 2020. Graduates pay 9% of their income above the threshold until they have repaid their loans in full, or their outstanding debt is forgiven, after 25 years for interviewees in this study. Repayments are automatically deducted from graduates' gross wages via the tax system. All these ICL repayment features seek to protect graduates against financial hardship.

For our interviewees, who entered HE between 2006 and 2008, national average loan balances on entry into repayment ranged from £14,670 (2010 repayment cohort) to £18,620 (2013 cohort) (Student Loans Company 2022). Loans accrue interest from the day they are taken out and, for this study's interviewees, the rates are equal to the Retail Price Index or the Bank of England base rate plus 1%, whichever is lower.

Interviews and analysis

This article is based on in-depth qualitative interviews with a sample of 47 graduate debtors conducted between October and December 2020.³ In the absence of an accessible national database of graduates, interviewees were recruited by a qualitative research specialist company that worked to broad demographic targets based on analysis of Higher Education Statistics Agency data, so that the achieved sample represented the diversity in the population in terms of gender, age at enrolment, type of university attended, and subject studied (Appendix Table 1). Continuous sample monitoring during the recruitment process showed that the sample lacked graduates from post-1992 universities and London universities. The final recruitment effort, therefore, focused on post-1992 London universities, resulting in an ethnic imbalance, with an overrepresentation of Black graduates and graduates from ethnicities other than Asian, Black or White, including graduates from mixed ethnic backgrounds (Appendix Table 1). However, ethnic minority groups are under-researched and existing research suggests that ethnic minority students are particularly debt averse (Callender and Mason 2017), therefore, oversampling ethnic minority graduates ensured that their important voices were represented in our research. The company recruited eligible participants via two complementary routes. First, eligible graduates from a pre-recruited youth panel were selected. Second, bespoke recruitment was conducted through databases of market research respondents, snowballing from recruited respondents, and calls on university-related Facebook pages. We believe that the diversity of recruitment strategies and the use of pre-recruited respondents have minimised the risk of bias towards debt-related concerns in our sample. Interviewees received £50 for their participation.

All graduates selected for interview had:

- studied full time for a bachelor's degree at a publicly funded university in England;
- enrolled between September 2006 and October 2008;
- paid tuition fees of £3,000 per year; and
- taken out a loan from the Student Loans Company (SLC) – the quasi-government agency administering financial aid.

We selected this cohort of graduates rather than a more recent one with higher student loan debt to analyse the long-term consequences of student debt. This cohort had graduated 10–12 years ago when interviewed and, consequently, were more likely to have established careers and to have achieved, or be considering, the life course milestones of interest in this study, unlike more recent graduates.⁴

The study design established a predetermined number of interviews of 50 at the onset to ensure a rigorous and manageable data collection. Research suggests that sample size saturation in qualitative research is influenced by the study purpose, data complexity, participant homogeneity, research design, number of themes, data quality, and resources and time constraints (Ahmed 2025). Fifty interviews allowed us to ensure saturation while working with the broad demographic targets mentioned above and several life areas that could be influenced by student loan debt. Three interviews were eliminated from this study: two because they did not fit the qualification criteria (were not charged tuition fees), and one because the interview did not include the questions of interest for this paper.

Prior to interview, graduates completed a timeline charting their life since graduation which informed their semi-structured hour-long telephone interview. The interview guide was drawn up and reviewed by Prof. Claire Callender, and the interviews were conducted by three experienced qualitative researchers from the qualitative research specialist company. A pilot consisting of 10 interviews was used to test the interview guide and make any necessary changes. The final interview guide is very detailed (see Appendix 3), but freedom was provided for the interviewers to tailor the questions to the circumstances of the respondent. The interviews were organised into five distinct sections: (1) introduction of the interviewee, (2) overall attitude to and status of their student loan, (3) general open-ended assessment of the influence of their student loan on their life, (4) a more detailed evaluation of the potential influence of student loans on specific life-choice areas: further study, career choice and employment, living situation and property ownership, family formation, health and wellbeing, day-to-day finances and long-term saving, and (5) final thoughts and reflections on the topic. Our analysis focuses on responses to sections 3 and 4, whose detailed questions are provided in Appendix 3.

During the interviews, we asked graduates about the amount of student loan borrowed, their outstanding balances at graduation and when interviewed, and their monthly repayments. However, few could accurately recall these amounts – an issue reported in other studies (e.g. Elias et al. 2021). We, therefore, decided against using these unreliable data in our analysis.

Interviews were transcribed, then coded and analysed using NVivo. Our analysis concentrated on understanding the impact of student loan debt on graduates' lives and whether the impact was positive, negative or both. It used qualitative content analysis based on iterative inductive coding. The coding process was undertaken by one researcher to ensure consistency in interpretation. To initially check the reliability and validity of the coding, five interviews were randomly selected and concepts and patterns in these interviews were discussed with a researcher involved in the larger research project but not this article. The coding researcher then engaged in an initial open coding phase, with preliminary codes being sorted and refined through several iterations of the coding process. Codes were developed using subsumption (Schreier 2012) and focused on the main ways in which student debt had influenced graduates' lives, revealing a spectrum

of outcomes. Regular meetings and discussions between both authors on the themes and codes furthered the validity of the findings.

Based on the spectrum of outcomes, interviewees were divided into three groups depending largely on the scale and nature of any negative impact of their loan debt. The three groups *No Negative Impact*, *Minimal Negative Impact*, and *Substantive Negative Impact* meant we could assess better and clarify the consequences of loan debt. The interviewees were categorised based on participant's responses to the interview questions and the lexicon they used to describe impact, if applicable. The coding researcher initially assigned the groupings, which were then reviewed and discussed with the other author, especially in cases where classification was not immediately clear, as can be expected when dealing with a spectrum. Using this classification, another qualitative content analysis was conducted for each group, revising concepts and codes to highlight the shared experiences within each group. We use semi-quantification (Neale, Miller, and West 2014) to report on the prevalence of findings to increase transparency and precision. However, because of the qualitative nature of this research, no generalisations can be drawn on the prevalence of any finding in the population.

Findings: the impact of student loan debt

This section discusses the range of student loan debt impacts revealed by the three groups of interviewees, while recognising the impact falls on a continuum.

No negative impact

These graduates' lives seem unaffected by their student loan debt. They form the smallest of the three groups ($n = 9$). Compared with the whole sample, they are more likely to be female, White or from ethnicities other than Asian, Black or White, including graduates from mixed ethnic backgrounds, to come from middle-class backgrounds, to have attended pre-92 universities and to have a partner (Appendix Table 2).

Interviewees in this group confidently declare that student loan debt has no negative effect on their lives. Their debt makes 'no difference whatsoever' (D10), has 'zero bearing' (D49) on their decisions, and has 'not impacted on anything' (D20). For some, their responses reflect a lack of interest in their student debt: 'I cannot articulate enough how little I care about that loan' (D22).

Several graduates say they rarely, if ever, think about their student loan debt. Others acknowledge an unobtrusive presence of debt in their lives while being adamant it has no bearing on their decisions. For most, the debt does not influence decision-making:

It's not like I've ever looked at a purchase or ever looked at a potential job and thought, 'I can't take that because of my student loan'. It just has never, ever figured in that way and I don't see why it ever would. (D04 – Male Unemployed)

The absence of the student loan repayments in one graduate's financial planning is indicative of such attitudes:

I've got like a bit of a spreadsheet going on, where I'll kind of forecast my money over the next few months. [...] The credit cards is in there, the savings for the mortgage is in there, we've

got a little bit of float, for you know, like trips; but I haven't got a student loan column on there; it's not even on there. (D22 – Male Building Surveyor)

For most, their debt is at the back of their minds. It is 'invisible' and they 'don't think about it'. Even when reminded of their student debt, by their pay slip (itemising their loan repayment deduction) or SLC annual statements, they dismiss it. Many no longer receive these annual statements because they never updated their address in the SLC system. Those receiving them usually do not read them, file them away after paying minimal attention, 'put them straight in the secure bin' (D20) or are unable to recall where they are.

Overall, these graduates' attitudes towards their student loan debt include acceptance, 'it is what it is;' resignation, 'just kind of forget about it and let it happen' (D11); indifference, 'I have no strong feeling towards it at all' (D10); and disinterest, 'I just took no interest' (D20). They appear to have handed control of their debt to the SLC and accepted it as part of getting a university degree. Debt is normalised.

Nearly all *No Negative Impact* interviewees seem to attribute the harmlessness of student debt to the inbuilt protective features of ICLs. Many praise the automatic deductions of their repayments from their wages. Interviewees, therefore, are not actively involved in paying-off their debt and do not have to budget to make the repayments (unlike other debts). Consequently, they often feel detached from the repayment process, which seems to help push their debt to the back of their minds. Their repayments are 'money that [they] don't see, that never belonged to [them]. It's just like a tax, that's all it is' (D22).

Some graduates value the income-contingent nature of their student loans. They feel reassured that if they faced a precarious financial position, they would make no loan repayments, which appears to contribute to their indifference to, and acceptance of, their debt. As an Accountant states, 'it's just something that is going out because I'm working' (D45), while a recently unemployed graduate observes 'you either meet the earning criterion or you don't and if you don't, then you don't repay it' (D04). Graduates appreciate that they are not penalised for non-repayment under such circumstances, unlike other debt obligations. Several also point out other protective features: the small size of their monthly repayments and the fact that after 25 years repayments stop, and any remaining debt is forgiven. Clearly for this group, the design of ICLs and their protective features matter and provide insights into their attitudes to student debt and its role in their lives.

More graduates in this group than other groups mention the positive impact of student loans on their lives. They recognise that their student loan made their undergraduate degree possible which helped improve life opportunities, especially their careers. They see student loans as instrumental in getting them where they are today: 'Obviously, without my student loan, I would not have been able to achieve what I've achieved and that's quite a positive with the student loan [...] it's just something that has enabled me to do what I'm doing' (D20 – Female Teacher).

Minimal negative impact

The second group of graduates recognise that their student loan debt has some negative impact on their lives but describe it as minimal. It is the largest of the three groups (n = 21). Compared with the whole sample, they are more likely to be male, to be Black, to

come from a low social-class background, to have attended Russell Group universities, and not to have a partner (Appendix Table 2).

Those in the *Minimal Negative Impact group* can be identified by their description of the effects of student debt as 'small', 'slight', and 'mild' with no significant influence on their current lives. Several state their debt has 'not made much difference' while others assert the impact is barely noticeable. Their debt is not the dominant factor in their decision-making: 'it's always been there, but not at the forefront of any decision I've made' (D39 – Male Probation Officer). For some, their awareness of their student debt seems greater than its actual repercussions for their lives and choices.

A few interviewees suggest the effects of student loan debt are minimal partly because they only feel their debt at specific points in time: for instance, when they receive their SLC annual statement or when applying for a mortgage. For several others, debt only affected them in the past, mainly in a short period post-graduation. When interviewed, some ten years after graduation, the effects had faded: 'I've now grown up ... and just become, I think, a bit more pragmatic about it' (D05 – Male Executive).

For *Minimal Negative Impact* graduates, their debt seems to affect various aspects of their lives but only slightly and they focus on the financial burden of their debt. For instance, some discuss their reduced take-home pay which influences their financial planning and ability to save. While the financial impact feels limited, repayments are still 'an extra little bit of money that [they] could do with' (D33).

For several interviewees, their student debt shaped their job choices but was not the key driver informing their decisions. Their strong desire to repay their loans prompted them, for instance, to get a job quickly after graduation, to opt for jobs with wages high enough to repay comfortably, to choose corporate jobs for their security, and to avoid freelance work that makes repaying more complicated.

Several interviewees' housing options are also influenced slightly by their debt, mostly affecting their path to independent living, renting options, and homeownership. Mortgage applications make student debt visible, because 'it affects [their] finances and whether the bank classes [them] as eligible for a certain amount' (D38 – Female Financial Analyst). Their debt does not seem to discourage further study, but, for a handful, it modified study choices. They try avoiding further debt or ensuring that additional loans are 'worth it'.⁵ One graduate decided to study part-time, another to wait until they have paid off their undergraduate loan, and yet another to only borrow for tuition fees, not living costs.

Graduates in this group echo some of the *No Negative Impact group's* attitudes towards student debt. They too feel detached. However, unlike the *No Negative Impact* group, student debt appears part of their lives, albeit an inactive part. The debt is 'something that just sits on the sidelines' (D13). In contrast to *No Negative Impact* interviewees, a few actively detach themselves from their debt, 'I just purposely don't really think about it' (D39).

Some also intentionally minimise concerns about student loan debt through a range of avoidance strategies. Unlike their peers in the *No Negative Impact* group, who seem to dismiss reminders of the student debt out of lack of care or worry, a small number in this group consciously adopt strategies to avoid thinking about their student debt or knowing about its scale: 'I don't really want to know' (D14). They actively attempt to minimise the role of the student debt in their lives, by intentionally avoiding interacting with it or knowing about it.

By contrast, others more actively interact with their student debt, mostly out of curiosity, not worry. For instance, they check their repayments and outstanding debt through the SLC's online portal, but infrequently. A few considered paying-off their debt or increasing their monthly repayment, but only one did.

Again, time plays a role in these graduates' attitude towards their loan debt. Some are unconcerned simply because they have got used to their debt. Others highlight their lack of control over their debt, feeling 'bound by this kind of obligation' (D48) and that they 'can't get away from it' (D50). One graduate characterises repayment as 'almost like I'm just doing my time' (D38). Their acceptance of the student debt is mixed with compliance – something they cannot escape. Consequently, several resent, and are frustrated by, their student debt: 'The dreaded statement that you get, showing that the amount hasn't really gone down. [...] So I kind of just [...] accept that and just look at the statements and just think, "Whatever, yes, sure"' (D43 – Male Civil Servant).

Like *No Negative Impact* graduates, this group attributes the minimal negative impact of their debt to ICLs' protective features. They highlight their 'small' repayments, the automatic repayment deduction from their pay-packets, and how income-contingency protects them from financial hardship when experiencing low earnings or employment shocks. A few believe that ICLs were designed to ensure repayments are not a burden for debtors:

I really believe that that was the intention of the loan being designed the way that it was, so that the graduates or the students wouldn't have to worry about it. It sort of gave us the freedom to be ourselves, to be comfortable in the choices that we were making and to really just study without that burden of a loan, of a student loan sort of hanging over you. (D08 - Female Full-time Carer)

Additionally, a handful cite their personal circumstances to help explain the minimal negative consequences of their student debt. As suggested, ten years post-graduation, they are used to their repayments and feel relatively comfortable financially. Their debt appears not to be a psychological burden.

A few mention the positive repercussions of student loans, mostly for their career. They believe loans afforded them better professional opportunities, through the degree and skills they gained, and incentivised them to plan their career better. But there are fewer accounts of positive impacts compared with the *No Negative Impact* group, and these are cited alongside the minimal negative impacts discussed above.

Substantive negative impact

The final group of interviewees (n = 17) is distinguishable because they experience the negative consequences of student loan debt, usually in several aspects of their lives. They factor in debt into various choices and decisions. Unlike graduates in the other groups, the impact is substantive because the multiple harmful impacts render their student debt pervasive. It is within this group that we can see most vividly both the financial and psychological burdens of debt and their interactions, and how they matter for graduates' life choices. Compared to the whole sample, these interviewees are more likely to have attended post-92 universities, to come from low social-class backgrounds, and to have children. They also seem slightly more likely to have lower incomes (Appendix Table 2).

For some in this group, their fear of adding to existing undergraduate debt means they reject further study or delay it indefinitely:

It was just the whole idea of just accumulating further debt and just all angles I looked at it, wherever I went, there was some sort of long-term fee involved, so I just wanted to avoid that at all costs. (D30 – Female Project Manager)

They weigh up the costs and benefits of further study and count their current undergraduate debt as a cost while seeking to ensure value for money from another degree. A few rightly assess that the bank loan repayment terms then available for postgraduate study were less favourable than ICLs⁶, citing especially the immediate repayment after graduation and high interest rates. Consequently, a number of interviewees looked for ways to limit their borrowing for further study, including favouring employer-paid professional development, only considering commutable universities, self-financing their further studies, or getting alternative funding such as stipends.

For many in this group, their careers are adversely affected by their student loan debt. Several factor their debt into their job choices, particularly their prospective earnings. They calculate their take-home pay – after tax and student loan repayment deductions – to ensure the job is ‘worth it’ (D42). Fluctuating income is seen as problematic: one graduate avoided making too many sales per month to avoid the risk of overpayment, before moving into a position with a fixed salary. A handful of interviewees took more radical steps. One negotiated down their initial salary and another considered reducing their part-time hours to avoid earning above the repayment threshold.

A few in this group feel obliged to exploit their loan-funded degree in their career choices, because ‘if you’re not making use of it, you feel a little bit like a failure’ (D44 – Male Property Manager). This includes limiting themselves to jobs ‘related to [their] degree’ (D47), the impossibility to ‘try something different’ (D24) and missing out on opportunities including unpaid work. Some fear unemployment and have avoided it by taking lower-paid or part-time jobs to continue loan repayments. Others highlight their anxiety when unable to make repayments because of unemployment. One graduate took the first job offered after graduation, despite not wanting it, partly because they felt the ‘urgency to potentially pay back this loan’ (D07).

Many interviewees experience the adverse consequences of student loan debt for their housing options too. First, buying a property is delayed because saving for a deposit is slowed down by repayments. Second, repayments are factored into mortgage lenders’ calculations of how much graduates can afford to borrow. Consequently, some say that, without their loan repayments, they could have afforded bigger, better housing. A graduate working in customer relations insisted on paying off his student loan before taking on another loan, delaying homeownership. Student loan repayments also affect graduates who are renting, limiting what they can afford.

Inevitably, student debt impacts many graduates’ lives financially: indirectly, by restricting their further study, career, and housing choices and options, but also directly through adverse financial repercussions. Repayments make a difference to interviewees’ everyday quality of life, as the money servicing repayments could have gone towards eating out, a holiday, or treating themselves and others, ‘small things that just make a big difference’ (D30). When graduates’ finances and household budgets are especially

stretched, e.g. when a partner becomes unemployed or when faced with large expenses, the constraining impact of loan repayments can become severe.

Several graduates also believe their futures might be negatively affected. Their capacity to save for their pension and their children is limited, making them feel unprepared for the future. As a woman working in clinical procurement remarked: ‘with pensions and things like that, we kind of go “Oh right, that’s tomorrow’s problem”. Which isn’t ideal, but you know, we’ll deal with it, hopefully, when we get there’ (D18). For a few, debt influences their family formation decisions, for instance, delaying marriage because of a lack of savings, or deciding against a second child because of the costs.

Finally, graduates’ mental health can suffer because of student debt. Several in this group are ‘stressed’, ‘anxious’, and ‘worried’ about their debt, particularly upon receiving reminders such as their SLC annual statements or payslips, or when experiencing difficult financial situations, such as their partner’s unemployment or having to repay other debt. A male Property Manager summarises: ‘it’s not something I think about every day, but it’s definitely a mental load’ (D44).

Despite these undesirable consequences, many in this group exhibit some of the same student debt coping mechanisms as those in the other two groups. Their debt is mostly in the background and, for a few, is invisible thanks to automatic repayments. But several in this group actively engage with their debt in a concerted effort to limit its impact on their lives, and more so than those in the *Minimal Negative Impact* group. A handful actively try ignoring their debt, dismissing it or choosing not to act on it: ‘I’ve tried to not think about it and let it ruin me over the past 10 years’ (D17). Their apparent acceptance is mixed with a desire for a future without repayments: ‘I’m just waiting until that goes away’ (D46). Some emphasise the inevitability of student debt and their lack of control over whether, when and how much they repay.

I will always have to pay it from my salary, which is slightly annoying and may be a bit of stress in itself; but I never have the option to not pay it or miss a payment [...] As long as I’m getting paid, it gets taken out. (D18)

Like graduates in the *Minimal Negative Impact* group, a few in this group believe that the passage of time makes their student debt burden lighter, because they have more comfortable lives, or their priorities have shifted.

What distinguishes these graduates from the others, is how some proactively address their student debt. They both considered overpaying their student loans and found out how to. A handful make voluntary overpayments, either monthly or when they have some surplus money. For these graduates, repaying faster is a way to ‘clear it away and forget about it’ (D34) in an attempt to ‘move on with life’ (D29). Several also monitor their debt, either by looking at their pay slips, regularly logging on to the SLC’s website, or including their loan repayments in their personal budget spreadsheets. Student debt is a burden that affects numerous aspects of their lives and so they are more engaged with it: ‘it bothers me enough that I bother to keep track of it’ (D40 – Male Software Developer).

A few graduates mention some positive effects of student loans, particularly in relation to career opportunities and financial management. However, these are dwarfed by the multiplicity and depth of adverse outcomes they experience. Interviewees discussed why and how student debt causes negative impacts on their lives. First, many primarily construe

student loan debt as debt while most in the other two groups are doubtful about the term debt because of the loan repayment structure. Thus, graduates in this group are hesitant about building up further debts and try and repay as quickly as possible while avoiding periods of non-repayment. Second, their lower take-home pay and, for a small number, the perceived high monthly repayments are experienced as financially constraining. Third, a number feel the pressure of their debt, including the need to ensure that their loans provide value. A few refer to a sense of 'responsibility for the money [they]'d borrowed in terms of making sure [they use] it worthwhile-ly' (D24). Of all the three groups, this group's encounters with debt most acutely expose the potential negative impact of student debt, even with the favourable repayment conditions tied to ICLs.

Discussion and conclusion

The impact of ICL debt on graduates' lives is mixed, falling on a continuum and revealing distinct patterns among different groups of participants. Our findings indicate that, for most graduates, ICLs have limited impact on their lives, in line with the assumptions of researchers and policymakers. However, for a sizable minority of graduates, ICL debt adversely affects their lives in complex, diverse, and sometimes unsettling ways.

We identified three groups of graduates, based on the degree to which ICL debt negatively affects their lives. The smallest *No Negative Impact* group consists of graduates whose lives appear untouched by their debt, and who attribute this to ICLs' inbuilt protective features. The second and largest group – *Minimal Negative Impact* – acknowledges some minor consequences of student debt for their lives. Their coping strategies, which probably help mediate the relationship between debt stress and psychological distress (Olson-Garriott et al. 2015), together with ICLs' protective features, seem to safeguard them from some of the more harmful effects of student debt.

The final group – *Substantive Negative Impact* – experience a significant and pervasive set of challenges stemming from their student loan debt. Both the financial and psychological burdens of debt, and their interaction, seem to permeate decisions regarding further study, career choices, homeownership, and financial planning. Despite adopting coping strategies to reduce their debt-induced anxiety and stress, the psychological weight of their debt remains. ICLs' protective features appear largely ineffective in shielding them from the adverse impacts of debt, unlike those in other groups.

These findings reveal a dual reality of ICL debt. The experience of most of the graduates in our sample align with the global policy rhetoric portraying ICL debt as positive and harmless, although only a small minority experienced no impact at all. In contrast, a third of the graduates experienced ICL debt as detrimental, contradicting this characterisation. Our findings therefore support our conceptual framework (Figure 1) which posits that student loan debt can prompt both a financial and a psychological burden that can impact graduates' life choices. Because ICLs are designed to ameliorate the financial burden of debt, our findings on ICLs' negative impact for some graduates are unlikely to result solely from their financial cost. The observed impact also probably stems from a psychological burden associated with being indebted, and the interaction between both burdens.

But the global policy discourse only considers the financial cost of student debt. It lauds a policy instrument whose features and design effectively protect graduates from most of the financial burden of debt. In doing so, it fails to acknowledge the debtor

and the psychological stress that can come from indebtedness, whatever form the repayment takes. This study and the experiences of the *Substantial Negative Impact* graduates strongly remind us of that.

When it comes to ICLs, the problem is therefore not so much the policy instrument, but the politics surrounding loans, informing their parameters, and their use in the funding of higher education. Earlier research on graduates' views of student loans in England (including the graduates in this study) showed that graduates valued the income-contingent nature of their loans and the way repayments were linked to their earnings, making them largely affordable. The ICL features they found most problematic and stress-inducing were: high tuition fees; their levels of debt; high interest rates; and long repayment periods (Callender and de Gayardon 2021). High tuition fees repaid by ICLs were the main stumbling block, which, alongside the replacement of maintenance grants with maintenance loans, have led to high levels of debt. These numbers are even more problematic for graduates when low repayments coupled with high repayment rates lead to growing balances. Overall, the psychological burden of student debt experienced by graduates seems to have arisen, at least in part, from the English government's increasing reliance on rising tuition fees to fund its higher education system – substituting public expenditure with private expenditure. This gradual substitution has been bolstered by the human capital inspired discourse that the private financial returns of higher education justify the use of loans rendering higher education a personal financial investment ('Tuition Fees and Student Loans' 1989). These political and ideological drivers are just as important, or maybe more important, than the actual design of ICLs when trying to understand why and how student loan debt can have such a negative impact on some graduates' lives.

England provides several lessons for other countries. First, a good policy instrument – ICLs – should not be used to cover up state disinvestment in higher education. Tuition fees should remain low as they are, for instance, in the Netherlands or means-tested and limited to more affluent students as they are in Chile. Non-repayable financial aid should be available for maintenance rather than just loans. Lower levels of debt coupled with income-contingent repayments are likely to be easier on graduates. Indeed evidence supports this. Graduates with lower levels of debt seem more positive about their loans than those with high debt levels (Callender and de Gayardon 2021). Moreover, visible and transparent subsidies of higher education by governments via lower tuition fees and/or the provision of maintenance grants send a positive message to students, graduates and their families (Dynarski et al. 2020). Such public contributions to the cost of higher education are indicative that these costs are effectively shared amongst all higher education's beneficiaries not just students and graduates. They confirm that higher education is both a public and private good.

Second, policymakers should be more aware of the negative association between loans and debt, whatever the repayment structure. One thing that differentiates our *Substantial Negative Impact* graduates from their peers is that they construe ICL debt as 'real' debt. Australia's use of the acronym HELP could be considered a best practice in that regard, showing the importance of perception when it comes to student loans. Third, when designing student loans, the potential long-term and far-reaching implications of student debt, be it ICL or TBRL debt, should be taken into consideration, even if it only affects a minority of graduates. Policymakers need to strike a balance between the financial needs of higher education and a solution that can potentially

impact the behaviour of future generations, curtail graduates' aspirations and limit their opportunities.

And in England, the future is bleak. Future cohorts of graduates will leave university with far higher levels of debt and will be repaying their loans for longer than the graduates examined in this study, where we focused on those who had graduated between 10 and 12 years ago. They were subject to the 2006 funding regime when ICL repayment conditions were generally more advantageous than for those subject to the 2012 and 2023 funding regimes (Student Loans Company 2022). Yet, a sizable minority of graduates in our study still experience detrimental consequences of ICL debt. It is, therefore, likely that recent graduate cohorts will suffer greater damaging effects. Indeed evidence for the 2012 cohort suggests this (Callender and de Gayardon 2021; Callender and Davis 2023).

Both the average levels of graduate debt in England and the current maximum interest rates are exceptionally high compared with other countries. However, other features of England's ICLs are comparatively quite generous. Much like new generations of graduates might be worse off in England, graduates elsewhere where features are less generous potentially also experience a higher burden of debt. For instance, in Australia, the lack of a write-off period could make the psychological burden of debt heavier for graduates who face never-ending repayments. In New Zealand, the 12 percent repayment rate means higher monthly repayments compared to England, that could feel unaffordable for graduates, increasing both the financial and psychological burdens of student debt. Overall, however, it is still unclear which of ICLs' many features are protective and which are detrimental, or at what level of generosity they switch from protective to detrimental. Their effects may also vary from country to country depending on the wider political and socio-economic context, highlighting the dangers of policy borrowing. Ultimately, these are empirical questions and a cautionary tale for policymakers.

Our qualitative study has limitations. It cannot firmly establish why ICL debt has differential impacts on graduates. Graduates' socio-economic characteristics and their personal circumstances seem important. For instance, *No Negative Impact* graduates are more likely to come from advantaged backgrounds and to have a partner who may act as a financial safety net. Conversely, *Substantive Negative Impact* graduates are more likely to have attended post-92 universities, to come from low social-class backgrounds, and to have children compared to the whole sample. They also seem slightly more likely to have lower incomes. Overall, factors like ethnicity, employment, income levels, parental background, partnership status, financial literacy, and regional economic variations, among others, might influence graduates' perception of debt and its impact on their life choices. This would be best explored in future quantitative research projects. It is also important to note here that the oversampling of ethnic minority graduates in this research could have impacted our findings, since graduates from other (including mixed) ethnic backgrounds seem more likely to be in the *No Negative Impact* group while Black graduates seem more likely to be in the *Minimal Negative Impact* group (Appendix Table 2). We can also not assess why ICL debt is a psychological burden for some graduates but not others, as this is beyond the bounds of this paper. As discussed, we also could not consider how the amount of student loan borrowed and owed might affect graduates' behaviour and choices, because these data were unreliable.

But these considerations could weigh on the policy debate. For instance, the potential socio-economic differences need to be better understood to help design fair student

funding policies. If low-income graduates are indeed more vulnerable to the psychological burden of debt, it would give a deeper meaning to the conundrum highlighted by Ziderman (2020): ‘at what level of built-in loan subsidy does a grant become a more cost-effective instrument for helping the poor than a subsidised loan (with hidden grants)?’ (418). In addition to the ‘cost’ in terms of access to which Ziderman refers, policymakers should think about the financial and psychological costs of student loans for the poor, probably tilting the balance towards higher levels of need-based grants.

The adverse impact of ICL debt on some graduates in this study reveals shortcomings in what is touted globally as a progressive and benign loan system. Greater recognition of the potential consequences for all graduates could be secured in policies that avert financialisation, shift the imbalance of financial responsibility for HE from the individual back to the state, and acknowledge the public benefits of HE, more securely lodging HE in society. In trying to render ICL as harmless as described by the global policy discourse, policymakers should pay attention to the scale of graduates’ debt, their repayments, and reliance on loans to fund HE. Overall, policymakers need reminding that ICLs are a relatively new policy instrument on the global stage. More needs to be known about both their positive and negative effects on graduates’ lives, including their potential financial and psychological burden – otherwise ICLs will remain yet another social experiment with unknown and unintended consequences for society.

Notes

1. For differences between TBRLs and ICLs, see: <https://wol.iza.org/uploads/articles/625/pdfs/income-contingent-loans-in-higher-education-financing.pdf>
2. In quotes in the original, suggesting student debt may not be real debt.
3. We acknowledge the possible historical threat to validity due to the fact that the interviews were conducted in the middle of COVID-19. Interviewers were instructed to acknowledge this difficult period. However, they asked interviewees to focus on the period pre-Covid when answering questions in order to capture graduates’ experiences over a much longer period of time, not just the present day. We believe that our approach significantly helped to limit the threat to the validity of our interview data.
4. Elsewhere we have examined the experiences of both this cohort and a later cohort subject to tuition fees of £9,000 (Callender and de Gayardon 2021; Callender and Davis 2023).
5. Graduates could access Professional and Career Development Loans provided by banks, see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820651/PCDL_Guidance_Document_July_2018_Final_27062018.pdf Government funded postgraduate ICLs were introduced in 2016, after these interviewees graduated.
6. Ibid.

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Ethical approval

The study gained ethical approval from the UCL Research Ethics Committee (Approval number REC1103). All interviewees signed an informed consent form.

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