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Student loans forgiveness

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For too long, the domestic training pipeline for clinical careers has been unfit for purpose.

For every five nurse training places, the equivalent to only three full-time nurses join the NHS. And every two GP training places filled results in only one fully qualified, full-time-equivalent doctor in general practice. This is a major problem for students, graduates, the NHS and the government. It also represents a diminished return on the £5 billion direct investment from taxpayers in training nurses, midwives, allied health professionals, doctors and dentists.¹

The recently published NHS Long Term Workforce Plan sets out some proposals around the increased use of apprenticeships, shorter courses and the ability of graduates to start earning sooner. But these proposals alone are unlikely to sufficiently address the problems of attrition, participation and retention. The central tenet of the plan is to expand training, and this will not provide the much-needed cavalry in the short term – rather, it just scales up leaks in the pipeline.

In this context, a ‘student loans forgiveness’ scheme must be considered as a solution.

What would such a scheme look like for nurses, midwives and allied health professionals?

Broadly speaking, the policy involves forgiving student loan debt in return for years of service. There are many ways to design a loans forgiveness scheme, varying around the timeframe over which it takes place, the level of debt forgiven and the specifics of which roles and sectors are eligible. Precedents for such a policy include the following.

- Modelling by London Economics, commissioned by the Royal College of Nursing, suggested 30% of a student's loan balance being written off after three years of service, 70% written off after seven years and 100% after 10 years.
- The Health and Care Worker visa rules also provide precedent on determining certain settings and health care occupations that can be eligible for a particular policy.²

These schemes can be designed around our now-established understanding of when the largest leaks in the pathway occur. Among nurses, one in five leave NHS hospital and community settings within two years, increasing to around a third after five years, but leaver rates notably flatten out thereafter – a similar pattern to midwives and allied health professionals.

What would the costs be for a scheme covering nurses, midwives and allied health professionals?

The estimated cost would be somewhere in the region of £230 million for nurses, midwives and allied health professionals per training cohort in England, based on the current numbers of joiners.³ The true cost of such a scheme would depend on the exact nature of any changes in attrition and participation, and the accounting treatment for outstanding debt. In this respect the available data for some clinical professions are limited.

These costs look highly affordable compared with some other workforce policies and interventions. For example, a 1% increase in pay for the NHS hospital and community services workforce has been estimated to cost around £900 million. Furthermore, a significant proportion of student loans get written off anyway as they remain unpaid after the repayment period passes. And even when factoring in an indicative 10% increase in clinicians joining if the policy was implemented, the estimated costs would just be the same as the amount saved (some £300 million annually) by HM Treasury from each nursing cohort through the incoming changes in the student loan repayment system.⁴

What would be the benefits?

It is challenging to be precise about the exact scale of the benefits, not least because it will depend on how the scheme is designed and implemented. However, we can be confident that it would:

- i result in **more applications** to clinical education courses – student debt is a common **reason** for potential candidates not to apply for nursing courses
- ii **decrease attrition** during training, **increase participation** in NHS, social care and other eligible services, and **reduce early career leaver** rates
- iii have a more **immediate effect** on staffing levels than merely increasing training places (and having to wait until they complete their education), as it can secure greater participation from those graduating this year
- iv improve **wellbeing** of clinical staff and those in training – the financial impact of student loans can have a detrimental effect on perceptions of financial security, for example.^{5,6} It may even remove constraints around **family formation** and ease challenges in joining the housing market
- v be likely to **reduce inequalities** in access to clinical careers (those from low-income households are more **likely** to be debt-averse) and take-home pay during careers. The incoming changes⁷ to student loan repayments will mean an increasing number of lower-to-middle earners making significantly larger loan repayments over their working lives.

Which professions should a loans forgiveness scheme be open to?

The costs outlined above are for nurses, midwives and allied health professions, but the policy could be expanded to doctors (costing in the region of an additional £170 million per cohort⁷) and dentists (as an alternative to the NHS tie-in period being considered for this profession). The argument for loans forgiveness schemes could equally be made in **other sectors**, such as for teachers, where the training pipeline also **looks** sub-optimal. And the policy can also be adapted and implemented to address workforce challenges in specific hard-to-staff specialties and regions, as has been done in the United States and Canada.

In other professions – particularly those that typically have higher earnings and on average pay back more of their student loans – there are also different ways to design a scheme, but at lower cost to the taxpayer. In particular, delaying any loan repayment (interest-free) for a certain number of years would still be of benefit for graduates, not only in terms of loan burden overall, but also in terms of take-home pay in the early years of their career.

To delay is to deny

Bold policymaking is clearly needed. A week rarely passes without concerning news about the domestic clinical pipeline – for instance, earlier this month a survey found a third of UK medical students planned to emigrate to practise medicine. Other countries such as Australia, Ireland and Wales appear to have been more proactive than England in exploring and testing policy solutions. The long-awaited NHS workforce plan does set out the ambition for a sustainable domestic supply and outlines some of the solutions. But we do not consider it to be sufficient, and the current plan risks doubling our stake on a horse that has yet to win.

A student loans forgiveness scheme alone will not solve the workforce crisis. The Nuffield Trust's [report](#) sets out a 10-point plan for improving the situation. But loans forgiveness represents a clear and viable opportunity to make an immediate improvement to the outlook. And if there is insufficient political courage to adopt such a novel policy, then more straightforward (though less attractive, as loans forgiveness has the advantage of providing both a gradual and a very highly valued benefit) versions do exist, including paying retention bonuses at two and then five years of service within the NHS or other eligible sectors. Either way, inaction should not be an option.

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Explanatory notes

- 1 Health Education England and the Office for Students expected to spend over £5 billion across pre-registration clinical courses and postgraduate medicine in 2022/23.
- 2 Individuals are only eligible for the visa if their role is classified as a particular occupation and the job offer is from an approved UK employer. More details are available [here](#).
- 3 This analysis builds on London Economics' previous modelling of the Exchequer and graduate costs of student loans for nurses under different scenarios. We have assumed that the cost of fee and maintenance loans, teaching grants, lifetime earnings, loan repayments and Exchequer benefits remains the same across our cohort of joiners (which also includes midwives and all allied health professionals) as for the cohort of nurses in the London Economics analysis. The number of joiners in our cohort refers to the average number of Band 5 nurse, midwife, ambulance, and scientific, therapeutic and technical staff (including some staff outside the allied health professions group) joiners to the NHS with a UK nationality between 2016 and 2022. More details on the underlying methodology and assumptions are available in a previous London Economics [publication](#).

Estimated Exchequer and graduate costs of student loan forgiveness proposals for nursing, midwifery and allied health profession graduates

	Previous system	Incoming system	Incoming system + loans forgiveness	Incoming system + loans forgiveness + 5% cohort increase	Incoming system + loans forgiveness + 10% cohort increase
Number of joiners	27,952			29,350	30,747
Total Exchequer cost (£ million)	£1,015	£568	£797	£836	£876
Cost difference to incoming system (£ million)	+	-	+	+	+
Average graduate lifetime repayments (male/female)	£24,400/ £10,700	£42,000/ £26,000		£29,500/£18,600	

- 4 There are incoming changes to student loan repayments that take effect from this academic year. Changes include reducing the repayment threshold, reducing how quickly the threshold is uplifted over time, and increasing the repayment period to 40 years. We refer to this as the 'incoming system' in the costing table above.
- 5 On average, for a typical nurse for example, the total value of their lifetime repayment would fall from around £27,900 to £19,900 (in present-value terms). For those working in eligible services, it would mean that they have no outstanding student debt 10 years after they graduate, whereas, under the incoming system, approximately 87% are not expected to repay their debt even after 40 years, when it is finally written off.
- 6 The level of student debt for graduates will depend on various factors, but previous work suggested, as a ballpark average, that a nursing graduate typically started with a debt of £48,000, while those finishing medical school had a £60,000 debt.
- 7 This estimate is reached by applying the scheme to the current cohort of 7,500 graduating doctors; the expansion of medical school places will have a commensurate increase on the costs, but also on the benefits.

Nuffield Trust is an independent health charity. We aim to improve the quality of health care in the UK by providing evidence-based research and policy analysis and informing and generating debate.

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