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How will an increase in tuition fees affect student participation and choice of course in the UK?

Developed by Shift Learning

Contents

How will an increase in tuition fees affect student participation and choice of course in the UK?	2
So what can we learn from overseas?	3
What can we learn from ourselves?	5
Study on the Continent: a threat from overseas	6
What does the future hold?.....	7
Can we help?.....	8
Syndicated reports.....	8
Latest syndicated report:	9
Appendix	11

How will an increase in tuition fees affect student participation and choice of course in the UK?

It is generally understood to be the case that when something gets cheaper, people will buy it in larger quantities and vice versa. So perhaps it comes as no surprise that general opinion predicts that university tuition fee rises will result in a decrease in university applications.

In a nutshell

•With tuition fees in the UK set to rise by up to £9,000 in September 2012, this white paper asks what affect this will have on student participation and course choice. Will it be dependent on the type of university, leaving some institutions to struggle whilst others excel? We must question whether post 1992 institutions who set lower fees will find themselves in greater difficulty, struggling to sustain student numbers and to provide quality education in the context of severe cuts to central government funding. Only time will tell how universities will be affected but in this white paper we've studied the existing research to draw out a few of our own predictions.

We believe that despite the current drop in student applications for 2012 courses, university education is likely to buck the trend as students continue to find a degree indispensable and are willing to pay for it whatever the cost. We predict that people will continue to apply for university courses, making savings in other areas to ensure that they can afford to study. With a degree becoming a prerequisite for more and more careers, students will continue to apply for courses as they see higher education as the only way to succeed in the job market.

Using current research and international examples, this white paper tests this assumption in the context of the recent student fee increases: is this a sound assumption? And will student application levels follow this model?

The State of Play

In Autumn 2012 university tuition fees are set to rise with over 70 universities opting to charge the maximum £9000 fee rate.

Past caps on student numbers left universities hindered and the government's recent decision to reduce the number of non-AAB+ places by 8% has resulted in universities feeling as though they are squeezed on all sides. Nevertheless, caps on AAB+ students have

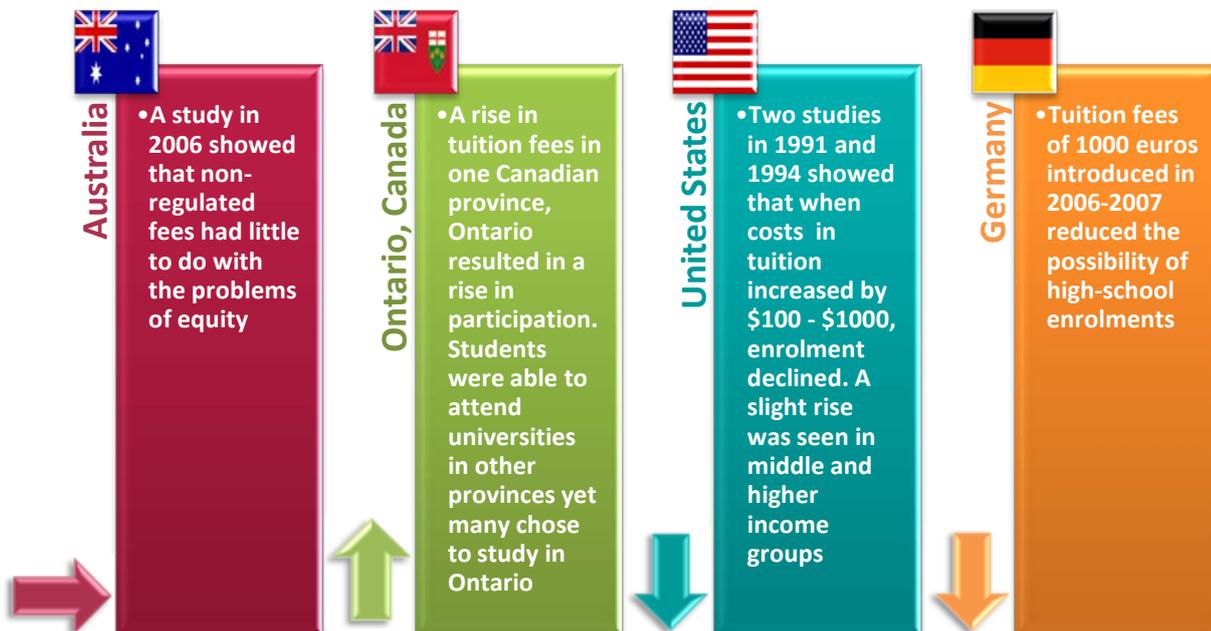
been removed completely allowing universities to accept an unlimited number of these high achieving students, which may allow some breathing space for those universities able to attract these students.

At the same time the government has announced that universities can bid for as many places as it thinks it can successfully win from a pool of 20,000 'margin' places, the allocation of which will be decided by the HEFCE panel. Yet institutions may only apply for these 'margin' places if they keep their fees below a threshold of £7,500. Can universities afford to keep their fees under £7,500 with the reduction in government funding? And what happens to those universities who can't afford to set fees at this level yet may not be able to attract the AAB+ students? Perhaps the lift on caps provides a brief moment of relief for some universities, but leaves others out in the cold.

There has been much debate regarding how these changes will alter student participation and how they will affect course choices. While the future is unknown in the UK it may be possible to see what future trends lie in store by looking at the impact of fee rises in other countries.

So what can we learn from overseas?

Studies in the US, Germany, Canada and Australia all highlight possible effects of the rise of tuition fees on participation levels.



These studies show that there is no definitive pattern regarding how the rise in tuition fees affects student participation.

Whilst we can find some similarities on the effect of tuition fee rises within these countries we must remember that the price rises differed and other social factors could have affected the outcome. For example fee rises in Ontario were far lower (up to a 60% increase) than the proposed UK fees, which will see fees rising by 166%.

What the studies do all agree on is that **reduced participation was found in low-income households** whereas enrolment was static or **on the increase amongst students in middle or high-income households**. However despite the higher tuition fees in Ontario, the participation rate continued to rise overall. This may sound surprising if you stop to consider that the fee rises only affected Ontario leaving other Canadian provinces unaffected. Students still continued to choose to study in Ontario despite the lure of cheaper fees from other provinces. Perhaps this indicates that the situation in the UK will not be as gloomy as

was initially predicted. This introduces the question of whether a student's choice of university is based on reputation or cost. The UK hosts several of the top ranking universities in the world so students may not choose to study elsewhere, and possibly the Canadian students were motivated to stay in Ontario for similar reasons. If this is the case it will therefore be more important than ever for UK universities to manage carefully their brands and reputations here as well as overseas, resulting in some sophisticated challenges for HE marketing departments.

What can we learn from ourselves?

It is important to remember that this isn't the first time that English universities have been faced with an uncertain future. In 2006 the government brought in the concept of top-up fees asking students to pay more towards their education at a sum of up to £3,070, a huge rise, when we take into account the fact that students had previously been paying yearly fees of around £1000.

As predicted this led to UCAS applications falling by 4% for the September 2006 intake. Yet by February 2009 applications had risen rapidly by 11.6%. Perhaps this indicates that universities which suffer an initial fall in numbers, will find that these numbers grow again in the future when higher tuition fees become the 'norm'.

Already applications for 2012 entry are down by 7.3% from last year, dropping from 604,705 applicants to 560,565. However, while the number of UK and other EU applicants has fallen by 8.5% and 11.5% respectively, the number of non EU applicants has risen by 13.3% which may offer a ray of hope for universities and go some way to counteract the drop in UK applications this year.

Study on the Continent: a threat from overseas

Canadian students may not have been lured away from study in Ontario but while we concentrate on how the rise in tuition fees will affect the number of participants studying at UK universities, British students are busy applying for places in non-English speaking European countries. The UK has been a long standing destination for overseas students, yet with the fee rises perhaps they will now face increased competition for home-grown students as well as for overseas ones!



European universities such as [Maastricht](#) in Holland are eager to take advantage of British students moving overseas to study at English speaking universities. Dutch subsidies are ensuring that fees stay low so students from England may only have to pay as low a fee as 2971 euros. This also takes into account that the Dutch government has recently agreed that some universities be able to add 1,200 euros on top of the nationally determined tuition fee, yet the fees are still noticeably lower than they will be in the UK after the fee increases.

In 2011 Maastricht University was already processing more than 250 applications from the UK, six months before the deadline for the next academic year.¹ Four years ago there were just 18 UK students studying at the university. 22,000 UK students are already studying for degrees abroad and with 2,400 courses available in English on the Continent, this trend may continue to rise as students seek value for money elsewhere. Some universities in Australia and Europe are already taking advantage of this, advertising on popular music streaming website Spotify, in order to attract new applicants. Will a blend of rising tuition fees and good advertising leave more new students

¹ <http://www.guardian.co.uk/education/2011/mar/06/university-europe-no-debt>

contemplating an international move? As previously mentioned many UK universities can take some comfort from the reputation that Britain has built up in Higher Education circles, but once again it will be essential to carefully manage and maintain these reputations to continue to attract both UK and International students.

What does the future hold?

It is impossible to know for sure how increased tuition fees will affect student participation and course choice in the UK in the future. It is true that the number of UCAS applications in February 2012 has dropped compared to last year, but this is an immediate effect of the tuition fees rise. Previous changes in tuition fees have affected student numbers before, and once the dust has settled this level of debt will more than likely be normalised and become acceptable for this generation of students. We believe that courses are valued too highly to be ignored and as such applications will start to grow again in the coming years.

Perhaps the UK may see some students being selective about the courses they choose, even opting for professional courses that will bring more certainty of a future income. Those from lower and middle income brackets will be more sensitive to financial assistance, whereas those from higher income brackets will not be as affected, and may start to comprise a larger share of the student population.

What we can predict is that the rise in tuition fees will most likely result in higher expectations from students, who have been asked to take greater responsibility for funding their own learning:

“Something we will be watching closely is student expectation,” says Jane Powell, MD of Shift Learning, “Will higher fees mean that students also expect better service and higher quality materials? From looking at the results in Canada and the US, we do see evidence that students will continue to enrol, but their choices and expectations will still be influenced by

the fees. Institutions are going to have to be ready to meet these expectations, but with fewer resources than ever.”

Can we help?

Shift Learning offers consultancy and agency services in the education and learning sectors. Our clients include Higher Education institutions including Kings College London and Queen Mary’s College, University of London and numerous educational publishers including OUP, CUP, Pearson, Nelson Thornes, Collins Education and many others.

Our core services are:

 Market Research

 Website usability research

 e-consultancy

For more information on working with Shift Learning, and to read recent case studies and white papers please visit our website <http://www.shift-learning.co.uk>

Syndicated reports

Shift Learning Syndicated Business Intelligence is designed to inform investment decisions for the education and learning sector. Our reports are used by many market leading companies.

We investigate key decision areas and share results among the members who subscribe. This service is a cost- effective way for clients to keep up-to-date with market developments and benefit from Shift Learning's expertise.

Latest syndicated report:

Competing for AAB students in HE institutions – student choice and expectations

We are currently planning a piece of syndicated research into the market for AAB students. The research will centre on a series of focus groups with high-achieving students, predicted AAB or higher at A Level, who have recently completed their application for entry to university in September 2012 or 2013.

Key questions will cover:

- ↪ The influence of the increase in tuition fees on institution and course choice
- ↪ Marketing messages which best attract high-achieving students
- ↪ The value of incentives
- ↪ The influence of an emphasis on employment prospects and employability skills on student choice
- ↪ The impact of the NSS, league table results and Key Information Sets (KIS)

The results of the focus group will be followed up with a concise eSurvey to quantify the key findings from the focus groups.

The final report will offer HEIs an insight into what these high-achieving students are looking for in their first choice institution and draw out recommendations for what universities can do to attract them.

If you are interested in finding out more about this research or would like to subscribe, please contact Jenny Kedros at jenny.kedros@shift-learning.co.uk or telephone 020 7253 8959.

Appendix

During the writing of this article we consulted a number of sources. These include the following references:

Buly Cardak and Chris Ryan, 'Why are high ability individuals from poor backgrounds under-represented at university?' *Discussion paper A06.04*, La Trobe University School of Business, 2006.

Canton, Erik & de Jong, Frank, 2005. '[The demand for higher education in The Netherlands, 1950-1999](#),' *Economics of Education Review*, Elsevier, vol. 24(6), pages 651-663.

Coelli, Michael. 2009. "Tuition Fees and Equality of University Enrolment." *Canadian Journal of Economics*, 42,3: 1072-1099.

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Hubner, Malte,. 2009. 'Do tuition fees affect enrolment behavior? Evidence from a 'natural experiment in Germany' *Work in Progress*, Universitat Mannheim.

Kane, Thomas, J. 1994. 'College Entry by Blacks since 1970: The Role of College Costs, Family Background, and Returns to Education' *Journal of Political Economy*, The University of Chicago Press, vol. 102. No. 5.

McPerson, Michael S., and Schapiro, Morton Owen, *Keeping College Affordable: Government and Educational Opportunity*, Brookings Institution Press, 1991.

Norrie, K. & Lennon, M. C. (2001). *Tuition Fee Policy Options for Ontario*. Toronto: Higher Education Quality Council of Ontario.

Shin, Jung Cheol., Milton, Sande. July 2007. "Student response to tuition increase by academic majors: empirical grounds for a cost-related tuition policy." *Higher Education*, 55,6: 719-734.

A brief summary of each of these papers are listed in the table below.

US 1994	US 1991	Germany 2006-7
<p>Kane (1994) investigated college enrolment of 18-19 year old high school graduates in the U.S. and found that a \$1000 USD increase in costs is associated with a five percentage point decline in enrolment. The findings were dependent on race and decline was most significant among low-income youth.</p>	<p>McPherson and Schapiro (1991) found a net cost increase of \$100 USD is found to reduce enrolment of low income youth by 0.68 percent. For middle and higher income groups enrolments rise by 0.23 percent if net costs rise by \$100 USD.</p>	<p>A study looked at the years of 2006-2007 to evaluate the impact of tuition fees on enrolment by comparing the 'fee states' against the 'non-fee states' in Germany. They found the introduction of tuition fees at the annual rate of 1000 Euros has reduced the probability of high-school enrolment in the states that introduced fees by 2.74 percentage points, or that there would be an additional 5000 students in the fee states without the introduction of fees.</p>

Australia 2006	Ontario 2009
<p>In Australia, Cardack and Ryan (2006) used longitudinal data from a large sample and found that while low socio-economic status students were under represented in higher education, the selection process started well before the final year 12. The HECS, or non-regulated fees, had little to do with the problems of equity.</p>	<p>Coelli (2009) looked at the influence of cost in Ontario, Canada. It was found that higher tuition rates are associated with reduced enrolment among those with low-income parents, whereas enrolment was constant or even increasing among those with middle or high-income parents.</p>