

HEPI Report (62) The impact on demand of the Government's reforms of higher education

The first evidence on part-time demand and an update on full-time

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Introduction

1. This report follows that produced by HEPI in 2012 giving our first assessments of the impact of the changes in student support and fee levels introduced in 2012 in England. Throughout we will refer to these as the 'White Paper' changes, with reference to the White Paper, 'Students at the Heart of the System'.
2. Our first assessment of the White Paper changes on demand was confined to full-time higher education because, at that time, there was no information on part-time demand. Since then HEFCE has published information which we have augmented with some further analysis. Despite the fact that the White Paper presented its proposals as providing 'more opportunities' for part-time, there is prima facie evidence that the changes led to a reduction in demand, or supply, or both. Given this provisional finding we have described the changes that may have caused a fall in entrant numbers, considered the further questions that need to be addressed, and set out some policy options.
3. Our 2012 report was based on data made available by UCAS, both directly and via the Sutton Trust. UCAS have now followed this up with a study taking us to 2013. With this extra year of data they were able to find the number of entrants who applied for the first time aged 19 in years up to 2013. They then produced charts of the rates for all those aged 18 in any particular year, applying aged 19, 18 or younger. These 'cohort rates' give us the opportunity better to assess what the temporary effects of the White Paper changes might be.
4. Having looked at demand for both full- and part-time undergraduate study, we draw some general conclusions and discuss the risks and policy options that follow.

Entrants to part-time undergraduate study

How the White Paper affected part-time study

5. Prior to 2012, most part-time students, or their sponsors, paid for their tuition fees 'up-front'; there were means tested grants available to a minority, but there was no system of subsidised loans like that available to full-time students. From 2012, for the first time, loans became available to some of those studying part-time. The White Paper

presented this as 'a major step in terms of opening up access to higher education', which would remedy a 'long-standing injustice in support for adult learners'. According to the White Paper up to around 175,000 part-time students would benefit from an entitlement to tuition fee loans.

6. For part-time students, as for those studying full-time, there were disadvantages as well as advantages in the changes. In brief, while loans would be available for some students, the level of fees would probably rise, and it has been argued that the changes 'are more likely to re-enforce or perpetuate existing injustices rather than eradicate them'.

Changes to financial support – grants and scholarships

7. The means tested grants for fees and course costs previously available to part-time students were abolished. Part-time students continued to be eligible for the hardship funds administered by HEIs, but from 2012 they had first to apply for any loans they were entitled to, and the funds could no longer be used to pay for tuition fees. In 2012 part-time students could become eligible for support through the National Scholarship scheme. Part-time students are also eligible to claim a Student Disability Allowance.

Changes to financial support – employer sponsorship

8. Support from employers is important for part-time study. In 2011-12 28 per cent of those students received support averaging £1,556. Part-time students are also supported through paid time off work. The evidence from past fee rises suggests that on average employers will pay for some of the increase but not all. The likely outcome is that the net contribution from students will increase.

Changes to financial support – loans

9. The loans for part-time students have the same conditions as for full-time, except that they become liable to repay loans after about four years, even if still studying. Loans are only available for courses equivalent to at least 25 per cent of a full-time course, and the maximum course length is 16 years.

10. Some conditions which are common to both full and part-time studies are likely to have a bigger impact on part-time as a whole. Loans are not available for courses leading to credits or professional qualifications, which are often the aims of part-time study. Also, loans are only available to those who do not have a qualification at the same or higher level than the qualification their course leads to; historically a higher proportion of part-time students have started an undergraduate course already possessing higher education qualifications.

11. The proportion of part-time students who would be eligible for a tuition fee loan has been estimated at 31 per cent for 2009-10. As of 31 August 2013, 30,800 part-time students had had their tuition for the academic year 2012-13 paid by the Student Loan Company (SLC). We will not know at this stage what this figure is as a proportion of entrants eligible for loans.

Fee increases

12. Following the White Paper the HEFCE teaching grant for both full and part-time courses was in most cases largely removed. Also, the 'part-time premium' was reduced. Given this reduced income, along with the fact that loans were being made available to some part-time students, it would be surprising if institutions did not raise part-time fee levels.

13. As yet, there are no systematic data for part-time fees in 2012. Among English universities Birkbeck College charged a maximum of £9000 per FTE, while the Open University charged a maximum of £5000. The ONS collect part-time undergraduate fees for calculating the RPI and CPI. Though they are unable to release values at this level of detail, they have said that they found large increases in part-time fees for students starting in 2012, in line with the proportional increases for full-time students. It seems likely that significant numbers of entrants will have been charged the equivalent of the full-time maximum fee.

14. It is notable that though the maximum annual fee for a full-time course is £9000, the full-time equivalent part-time fees can in principle be higher. For part-time the limit was set at £6750 pa, whatever the intensity of study, so in theory, for a course with a full-time equivalent of 25 per cent, a fee equivalent to £27,000 per FTE could be charged.

Separating supply and demand

15. Applications for part-time study are made directly to universities, so there is no central collection of application data. We can only estimate demand through the numbers of entrants which may, of course, in part be determined by the number of places available.

16. For most institutions, part-time study represents a small proportion of their undergraduate provision, so giving them several possible responses:

- a. They may discontinue the provision, particularly if they are confident of attracting 'high achieving' full-time students who are not included in controls. Such decisions might make higher education unattainable for many part-time students who are often limited in

where they can study, and so when courses are discontinued potential students may not be able to find an alternative.

b. Institutions could increase part-time fees to make up for the loss of HEFCE grant, taking the risk that this might reduce demand.

c. They could hold down fee levels and cover only the marginal costs or even cross subsidise the part-time provision.

17. It is likely that individual institutions will do all of these, making judgements as to the viability of individual courses. To separate out these different responses, and their differing impacts on the numbers of entrants, is impracticable with data that is presently available. So when we look at trends in entrant numbers, we need to remember that they are likely to be the result of both supply and demand factors.

Diversity of part-time courses

18. Part-time provision is more diverse than full-time. Almost all full time students start their course with the intention of qualifying, whereas for some part-time students accreditation is unimportant; their studies are for the love of learning or, perhaps, to gain some particular skill or knowledge for employment. Others will start a programme with the end point left open, without knowing whether they will go on to qualify.

19. For some courses, no qualification or credits are offered. Universities in England have reported around 3.1 million learner days per annum of non-credit bearing higher education which translates to over 50,000 FTE. By reducing financial incentives to accredit courses, it is possible that new courses that once would have been accredited will in future be non-credit bearing.

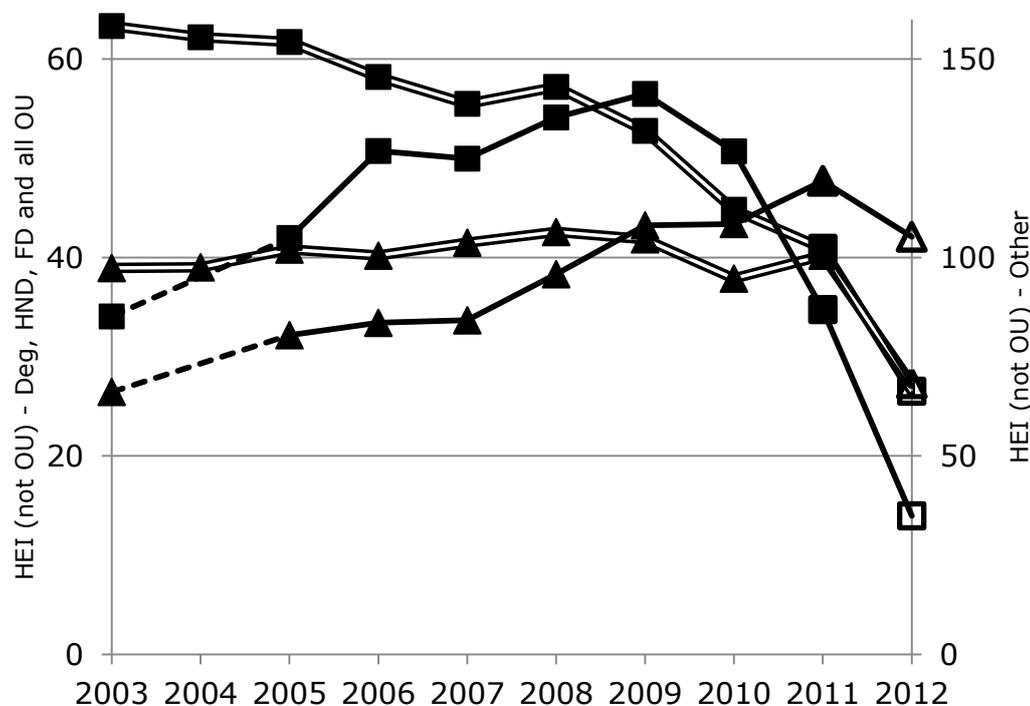
20. Here we capture some of this diversity by presenting results for two groups, those aiming for a first degree, HND, or foundation degree (FD), and others, including those on courses leading to institutional credits.

Trends in part-time undergraduate entrants to HEIs in England up to 2012-13.

21. Figure 1 shows the numbers of students starting part-time undergraduate courses from 2003-4. The most dramatic change over the whole of the period has been the decline in the number of entrants to 'other' courses at HEIs in England excluding the Open University. Most of the decrease, at least to 2011-12, was due to a reduction in the number of entrants to 'other' courses leading to qualifications like CertHE, DipHE, not courses leading to credits, which were relatively stable. The Open University had increasing numbers of these students up to 2009-10, followed by a sharp fall. Because of the module structure of the Open

University provision, students can often choose their qualification aim. It is possible that what we are seeing is simply an increase in the numbers of entrants choosing to aim for a degree.

Figure 1: Number (thousands) of home domiciled students starting part-time undergraduate courses registered at HEIs in England



- Triangles – First degree, HND, FD (left hand scale)
- Squares – Other (right hand scale)
- Single lines – Open University (left hand scale)
- Single dashed lines - 2004-5 data for Open University not used
- Double lines - HEIS in England excluding Open University
- Open squares and triangles – estimates using HESES data for 2012-13.

22. For entrants to degree, HND and FD programmes, the numbers have been more stable, though with a significant growth up to 2011-12 for the Open University and lower growth to 2008-09 for other HEIs. The spike in Open University numbers in 2011-12 is reminiscent of what we have seen for full-time applications, and may represent a temporary effect caused by students avoiding fee increases. If this is the case, we should see numbers stabilise in 2013-14.

23. Between 2011-12 and 2012-13 for almost every combination of providers and courses we have seen falls in the number of entrants to part-time undergraduate programmes. (The exception is a very slight increase in entrants to courses leading to 'other' qualifications at FECs,

not shown here.) While these results may appear clear cut; they are not. Firstly, for our counts of entrants in England in 2012-13, we have had to rely on a data source which we have found to be unreliable. And as we will see the comparisons with Scotland and Wales are even more uncertain, based on the FTE and counts of all students, and without completely 'like for like' definitions.

24. For some institutions, like Open University and Birkbeck College, the decline in the number of entrants to courses leading to a first degree between 2011-12 and 2012-13 may be due to an exceptional high number in 2011-12, itself very likely due to some entrants bringing forward plans to start their studies so as to avoid the increase in fees.

25. As the full report shows, some others saw a much bigger decrease in entrants to degree courses. In particular, the Russell Group HEIs in England saw overall entrant numbers fall by about seventy per cent since 2003-04 with decreases for first and foundation degrees, for other qualifications, and for credits. Given the importance of part-time provision to disadvantaged students, the withdrawal of part-time undergraduate courses seriously undermines the contribution of Russell Group institutions to widening participation, as well as representing a marked reduction in their commitment to Continuing Education (CE). A more benign interpretation is that it represents a step on the route towards greater diversity in the sector, with different institutions focusing on the areas where they have clear strengths and leaving to others those areas that they regard as peripheral to their core missions.

26. We can confidently conclude that the provision of loans to a minority of part-time students has not been sufficient to stop the recent decreases in the numbers of part-time entrants. To what extent the increases in fees have contributed to the acceleration in the decline in demand is uncertain.

Comparisons with Scotland and Wales.

27. To get an idea of what happened in 2012-13 across Great Britain we had to rely on the statistics collected by the funding councils. In table 4 we show the statistics for Wales and Scotland compared to England. All three countries see decreases between 2011-12 and 2012-13, continuing a downward trend that has been apparent for a number of years.

28. There were larger decreases for England than for the others, however the picture is blurred by the large numbers of continuing students not affected by the White Paper changes up to 2011-12. The differences in provision at FECs also complicates the comparisons. (See the full report for details). Also, all countries, not just England, have

seen large decreases in part-time entrant numbers before 2012-13, despite the continued inclusion in Scotland and Wales of students with equivalent qualifications in their funding allocations, and, in the case of Scotland, without the full-time fee increases driving up part-time fees. These trends in entrant numbers need to be considered when interpreting the decreases seen in 2012-13.

Table 1: Part-time undergraduate study between 2011-12 and 2012-13

	FTE of fundable students registered at HEIs (excluding OU)		Number of home and EU fundable and non-fundable students registered at HEIs (excluding OU) and FECs	
	England	Scotland	England	Wales
2011-12	52,724	6,636	255,144	22,316
2012-13	43,932	6,460	196,867	20,915
% decrease	17%	2%	23%	6%

29. Despite these complications, these figures do suggest that the White Paper changes may be responsible for part of the decrease we see for England.

Young full-time undergraduate application rates

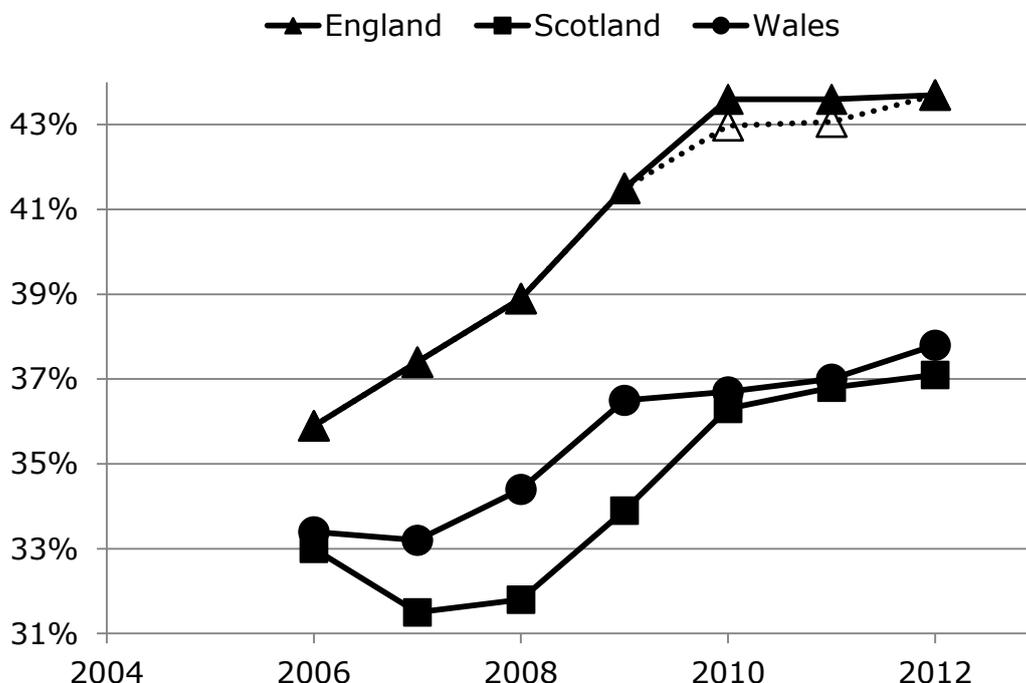
30. In 2012 UCAS reported that the application rate of 18 year olds showed a fall against trend equating to one applicant in twenty, or to approximately 15,000 'missing' applicants.

31. In its 2013 report UCAS do not revise this estimate, but with the extra year of data they are able to calculate application rates for all applicants born in a particular year whether they applied to university aged 19 or younger. This approach means that temporary changes in the proportions applying at 18 and 19 as a result of the introduction of higher fees are accounted for, so that the rate is unchanged if students applied aged 18 in 2011 rather than aged 19 in 2012. This does not entirely remove temporary effects, since we can still have people applying at 19 rather than 20, etc, but these will have a smaller impact because the numbers of applicants decreases with age.

32. Figure 10 shows the aged 19 and under cohort application rates. The dotted line gives an estimate of what the rate would have been for those aged 18 in 2010 and 2011, without the temporary lift in rates

resulting from those who would have applied aged 20 in 2012 or 2013 applying in 2011 so as to avoid the fee increases.

Figure 2: 19 and younger cohort applicant rates



33. The Independent Commission on Fees interpreted the differences in application rates between the cohorts aged 18 in 2010 and 2012 for the three countries as evidence that the 2012 cohort was less than expected. The differences are close to the 'noise' we find in application figures, but even taking them at face value, all or most of these differences could easily be the result of temporary changes caused by applicants bringing forward their applications to avoid fee rises.

34. The calculation of cohort rates, though useful, does not itself enable us to know for certain what would have happened had the White Paper changes not occurred. On the one hand, if the increases in applications between 2006 and 2010 would have continued, then in comparison with what has happened there has clearly been a considerable shortfall.

35. However, the 19 and younger age cohort rates have also decelerated in Scotland (from 2011) and in Wales (from 2010). Our conclusion is that the implied reduction in demand following the assumption that cohort rates would have continue to increase at the same rate after that for the cohort aged 18 in 2010 should be viewed as something like the maximum rather than the most likely long term impact of the White Paper changes, and it is much more likely that the actual impact has been much smaller than this.

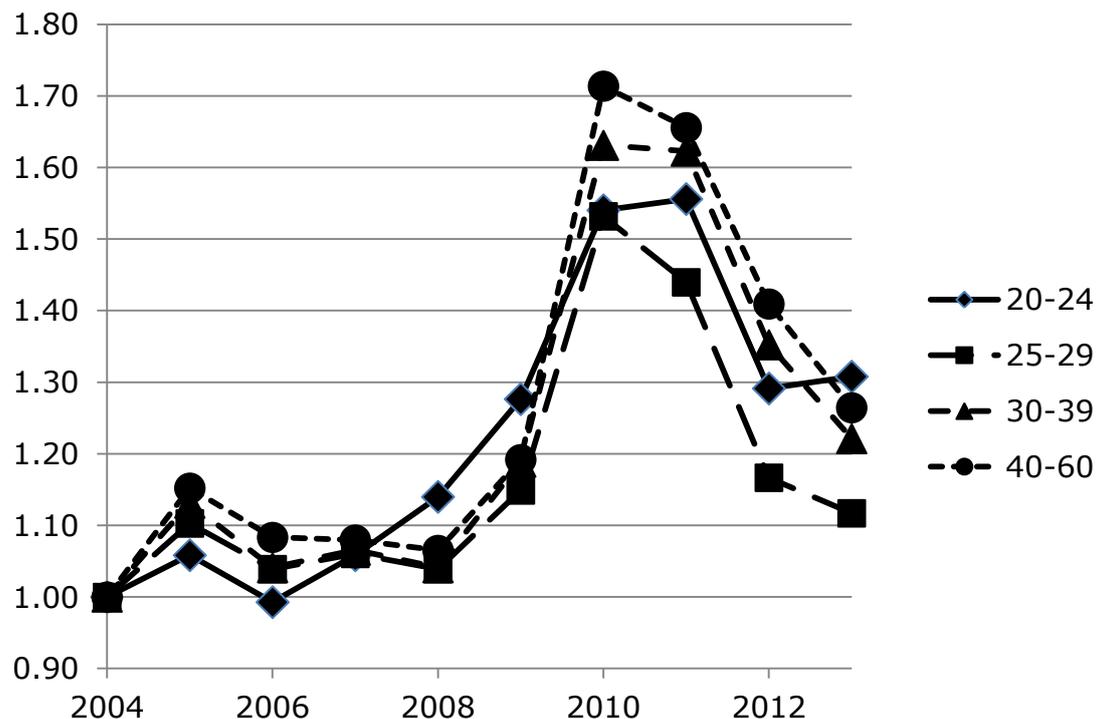
Mature full-time undergraduate application rates

36. Application rates for mature applicants are more difficult to interpret than for young applicants. Firstly, identifying the relevant underlying population is more complex, because many in the population from which applicants are drawn will have already graduated, and because mature entrants will be less constrained as to when they apply or reapply. These points are made by UCAS, who stress how hard it is to assess the changes in application rates. Also, direct entry outside UCAS is more common for mature entrants, who are also more likely to consider part-time study as an alternative. So looking at full-time applications only gives us part of the picture.

37. Figure 3 shows the relative application rates for mature applicants in different age groups. Because the rates for different age groups differ so much, we normalise them relative to their rates in 2004, set as 1.0.

38. The growth in mature applicants between 2008 and 2010 was exceptional. We think it is likely that this is connected with the financial crisis, with the associated rise in unemployment and enforced part-time working. It may have been further increased by an anticipation that fees would increase. Although the government's formal announcement was not made until November 2010, there were rumours that fees would increase before the Browne Review was set up.

Figure 3: Relative mature application rates – England



39. For all the age groups, application rates peak in 2010 or 2011, and since then we have seen declines, except for a very small increase for the 20-24 year olds between 2012 and 2013. A comparison with Scotland suggests that this could be connected with the fee increases. Scotland also saw increases between 2008 and 2010; these were big increases, though not as big as occurred in England. However, since 2010 the rates in Scotland have stabilized for age groups from 25 to 60; any decreases have been relatively small. For the youngest group, aged 20-24, the rates have continued to increase. The rates for Wales are hard to interpret. The rates are volatile, which is to be expected given the small numbers, particularly for the older age groups.

Risks and Policies

40. In our analysis, we have stressed the uncertainties in estimating demand and the even greater uncertainties in establishing the reasons for changes, or lack of changes, observed. Here, however, we assume that our conclusions are correct, fill the gaps in knowledge with guesses, and consider the risks and policies that follow, whilst remembering that all this is contingent, and may change with further evidence.

Policy Options

41. The key policy question is how to achieve a reversal of the trend of decreasing numbers of mature - and particularly mature part-time - students? There are many proposals to make part-time provision more visible - to make information more readily available. These, it seems to us, do not require any justification in terms of lifting demand, and should be taken forward. In particular, because of present confusion about the eligibility for loans for students with higher education qualifications we think the Secretary of State for Business, Innovation and Skills should make a clear and complete set of decisions about these, and these should be disseminated in an understandable form. Similarly, the guidance on loan eligibility gives a list of qualifications which is more restrictive than the regulations actually set out, potentially misleading students into thinking they would have to pay 'up-front' when they would be eligible for a loan. This should be remedied. However, few would expect that these measures in themselves would reverse the trend of decreasing part-time numbers.

42. Many have proposed that fee loans be extended so that more students are eligible, or even that maintenance loans be introduced. The costs to government are highly uncertain, and there is no certainty that it would increase demand. We think it is therefore worth exploring whether standards and quality could be maintained and fees reduced with little or no net additional public expenditure.

43. We predicted that the White Paper changes were 'likely to give rise to an arms race' in payments to students outside the control numbers (A-level grades or their equivalent of AAB in 2012-13 and ABB in 2013-14). However, we thought that there would not be a large movement in student numbers between universities. This view was based on the fact that the more selective universities had not bid for additional student numbers in the past, at least not to any great extent, and that as not-for-profit organisations they were trying to maximise some combination of quality, reputation and prestige, and so would not see growth as a priority. What we did not anticipate was that, with a continuing change towards a 'business' culture, the opportunity offered by fees of £9000 to teach undemanding students on cheap courses was too tempting.

44. The idea of some wider social obligation to provide, say, part-time courses at affordable cost, risks being lost; possibly because holding down fees might make justifying the full-time fees more difficult. Perhaps institutions have not looked too closely at the claim that part-time students will no longer have to pay fees 'up-front' when in fact most still do. It may turn out that as things settle down the distribution of students between universities will be largely unchanged, but the declared aim of some to expand has made the competition fiercer. In these circumstances, it would not be surprising if universities scaled down what they treat as their peripheral business - mature and particularly mature part-time recruitment.

45. So, there are issues of supply as well as issues of demand. As far as demand is concerned, a major driver of reduced demand recently is probably related to the increasing cost. However, it may be possible in future to reduce fees substantially, and indeed the incentive to do so may exist in the form of competition from new providers.

46. The Open University is by far the most significant player in the part-time market, and so the fees that it sets are very significant, particularly if there is greater sensitivity to fee levels among part-time students than among others. It has set fees of £5000 per FTE in 2012 (increased to £5124 in 2013), well below the equivalent £9000 maximum, and this is to be welcomed. The Open University has high course development costs and relatively low marginal student support and teaching costs. We might describe it as 'mass production' contrasting with the 'craft production' of most other universities. This does not mean their provision cannot be of the highest quality, but the range of modules is not large in relation to its size, and some modules are used over many years, so the number of students can be very large, reducing the unit contributions to the fixed costs dramatically. If the Open University were able to reduce fees while maintaining quality - by reducing costs, cutting out inessential expenditure and taking advantage of technological advances this would have a significant impact on the average price of part-time education.

47. After a number of false starts, it seems that the technology has finally reached a stage to support a radical development of higher education provision, and 'massive open online courses' (MOOCs) are providing higher education learning free and are beginning to provide accreditation at very low cost. Most provision currently comes from the United States, but the Open University has created a new company 'Futurelearn', which with 21 UK universities has launched courses on the MOOC model from September 2013. These developments are to be welcomed; but they raise a question as to the future viability of other part-time provision, at the fee levels currently being charged. Can courses costing thousands of pounds coexist with free and very low cost courses? We would expect a UK based MOOC to be a competitor to the Open University but with Futurelearn Ltd owned by the Open University, that may not happen. However, MOOCs, by their nature do not have boundaries, so competition will come, even it comes from outside the UK.

48. If some of the efficiencies being pioneered by MOOC providers can be incorporated into conventional courses it should be possible to reduce costs. Also a market may develop in providing tutoring for students on MOOCs. In these and other ways the sharp division between traditional and the new 'high tech' provision could be bridged, leading to a general reduction in tuition fees. This is not certain. There are many who doubt the relevance of MOOCs to conventional provision. On the basis of present knowledge, the jury is still out. However, it is highly likely that whatever their impacts, it is likely to be felt most in part-time higher education.