

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 (Thompson et al, 2012b) 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', published in June 2011 (BIS, 2011).

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 (HEFCE, 2013) 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-time¹, 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 and considered the further questions that need to be addressed.

3. Our 2012 report was based on data made available by UCAS, both directly and via the Sutton Trust. In their analysis UCAS had shown (UCAS, 2012), that the application rate for 18 year old entrants decreased by one percentage point between 2011 and 2012, and that if it were assumed that the trend for increasing application rates would have continued without the changes, the fall in the application rate against what would have happened was around two percentage points. This is approximately 15,000 applicants.

4. We argued that the application rates observed before 2012 would in part have been determined by the temporary impact of the increase in fees, and that it was unsafe to assume that the trends in application rates up to 2011 would have continued had no changes been introduced. We concluded that the 15,000 shortfall represented the maximum possible impact of the new arrangements, and that it is more likely that the numbers of applicants were as expected after taking into account the transitory effect of introducing higher fees.

¹ BIS (2011), page 9, paragraph 9.

5. UCAS have now followed up their 2012 report, with a study taking us to 2013 (UCAS, 2013a). 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. These 'cohort rates' give us the opportunity to better assess what the temporary effects of the White Paper changes might be. In this report we use the new UCAS information to extend our time series to 2013, and to review our estimate of the size of the temporary effects of the changes.

6. As in our previous report, we will compare the application rates for applicants from England with those from Scotland and Wales, who for the most part did not see any changes as a result of the White paper, and therefore make good comparators. It is the case that the already small numbers of applications to HEIs in England by applicants from Scotland decreased in 2012, but this was likely to be a change in where to study, not whether to study.

7. 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 from them.

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Entrants to part-time undergraduate study

How the White Paper affected part-time study

8. Prior to 2012, most part-time students, or their sponsors, had to pay for their tuition fees 'up-front'; there were means tested grants available to a minority of students, 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'². It was claimed that up to around 175,000 part-time students would benefit from an entitlement to tuition fee loans.

9. 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. It has been argued that the changes 'are more likely to re-enforce or perpetuate existing injustices rather than eradicate them' (Callender C, 2013). When we analysed the White Paper we expressed the view that there would almost certainly be a sharp decrease in demand for many short or low intensity courses (Thompson, et al, 2011). Here we first present a resume of the changes to financial support and the limited information available on what has happened to fees.

Changes to financial support – grants and scholarships

10. 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 ('Access to Learning') funds administered by institutions, 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 (pro-rata) support through the National Scholarship scheme. This support takes a variety of forms, including fee waivers and bursaries, and is aimed at students from disadvantaged backgrounds, with the exact criteria set by individual institutions. The extent to which part-time students have benefited from these scholarships will be known in 2014³. Part-time students are also eligible to claim a Student Disability Allowance.

² BIS (2011), page 61, paragraph 5.27

³ Data collected by HEFCE will be linked to the 2012-13 HESA record, making it possible to identify part-time students receiving scholarships.

Changes to financial support – employer sponsorship

11. Support from employers is important for part-time study. In 2011-12 28 per cent of those students included in the government's student income and expenditure survey received support which averaged £1,556⁴. Part-time students are also supported through paid time off work. We do not know what happened to this support in 2012-13 but evidence from the fee increases that took place between 2007-08 and 2010-11 (before the major increases that seem likely to have occurred in 2012-13), suggests that on average employers will pay for some of the increase but not all⁵. The likely outcome is that the net contribution from students will increase.

Changes to financial support – loans

12. The loans for part-time students have the same conditions attached to them as for full-time students, except that students become liable to repay their loans after about four years⁶, even if they are 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.

13. 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, even if they are the same for any given individual. Loans are only available for courses leading to a limited set of qualifications⁷; and part-time courses are more likely to lead to credits, professional or other qualifications which do not qualify for loans⁸. 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. This restriction in the loans can be seen as a continuation of a policy introduced in England in 2008-09 not to count students with Equivalent Level Qualifications (ELQ) in funding allocations. (ELQ students were also ineligible for part-time grants.) Because of the funding shortfall, some universities charged students with equivalent qualifications higher fees. Unfortunately, the ELQ rules for loans are not as well defined as they were for funding, and the information in documents designed for potential students is so

⁴ BIS (2012), table 3.4.4, page 105. The sample was drawn from English domiciled undergraduate part-time students studying at an FTE of 25 per cent or more at an English (including the Open University) or Welsh HEI or FEC.

⁵ Callender, et al (2012), Section 5.3, page 59.

⁶ Repayments start in the April which falls 4 years after the start date of the course.

⁷ These are: undergraduate qualifications awarded by institutions with degree awarding powers, HNC, HND, PGCE and Initial Teacher Training.

⁸ From 2013-14 entrants to courses leading to QCF level 4 Certificates and Diplomas and Higher Apprenticeships at Skills Funding Agency approved HEIs, FECs or independent training providers may be eligible for a '24+ Advanced Learning Loan'.

simplified as to be misleading, so it is possible that some students who should be eligible for a loan do not realise it.

14. The proportion of part-time students who would be eligible has been estimated at 31 per cent for 2009-10⁹. Given that the loans can attract a real interest rate of RPI plus 3 per cent, students with savings, or with the ability to extend a mortgage, may well decide not to apply for a student loan. 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). 5,200 potential students applied and were assessed as eligible but did not take the loan: they either paid up front or did not start the course¹⁰. We will not know what this figure is as a proportion of entrants eligible for loans until we have the 2012-13 HESA data.

Fee increases

15. There has been no regular systematic collection of part-time fee information up to 2011-12, and the first complete set of fees data for 2012-13 will not become available until January 2014¹¹. HEFCE surveys for 2001-02 and 2007-08 show the change in part-time fees that occurred as the full-time fees increased to £3000 in 2006-07. Part-time fees increased between these years by 41 per cent in real terms, after allowing for changes in the subject mix¹². The average fees vary by institutional type and subject so, for 2007-08 the average fee per FTE for IT courses in FECs was £1,150, and in non-specialist HEIs £1,740, while the average fee for law in multi-faculty HEIs was £2635. And behind these average figures the charges at particular HEIs varied. According to a study commissioned by UUK, even by 2009-10 a few institutions were still charging fees at the same real level as before 2006, while a similarly small number had increased their part-time fees pro rata to the maximum full-time fee, with the rest setting fees between these extremes (Brown et al, 2009). The lifting of the maximum full-time fee in

⁹ This estimate (Pollard et al, 2012, page 136, table 7.10) contains some uncertainties. Missing FTE values and unknown entry qualifications are excluded. It is assumed that all those with HE or equivalent prior qualifications are ineligible, and no account is taken as to whether the student is studying for an eligible qualification.

¹⁰ By 31 August 2013 the SLC had received 44,100 applications for part-time tuition fee loans, 36,000 of which were assessed as eligible. The remaining 8,100 include applications in progress, cancelled, withdrawn, or rejected as ineligible. Information provided by SLC.

¹¹ OFFA has had a remit to collect part-time fee information from 2012-13, and these data have already been collected. However, to meet their requirements, OFFA only had to collect data for courses above the basic actual (not per FTE) fee of £4,500, and this is all that has been collected. For students registered at UK HEIs HESA will be collecting part-time fee information from 2012-13. These become available to non-governmental users from January 2014.

¹² 2001-02 average fee per FTE £1,059 (HEFCE, 2003), 2007-08 £1815 (HEFCE, 2009b), 2007-08 adjusted the 2001-02 subject profile £1,801, £1,494 (2001-02 prices). Inflation adjustment using ONS RPI Q3 2001 171.8, Q3 2007 207.1 (Jan 1987 = 100).

2006 seems to have gradually led to above inflation increases in part-time fees in the years to 2011-12, while, still, on average being lower per FTE than full-time.

16. The White Paper changes were more dramatic than the 2006 rise in maximum full-time fees. The main component of the HEFCE teaching grant for both full and part-time courses was in most cases 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 in 2012-13.

17. Table 1 shows the maximum full-time equivalent fees for seven English universities with among the largest numbers of part-time undergraduate students.

Table 1: 2012-13 maximum full-time equivalent part-time annual fees for courses leading to 'bachelor' degrees .

University of Central Lancashire	£3,000
Open University	£5,000
Teesside University	£6,480
London South Bank University	£8,450
Birkbeck College	£9,000
University of Plymouth	£9,000
University of Hull	£9,000

Table 1 Source - Callender, et al, (2012) , page 52, table 5.1 .

18. Note that though the maximum fee for a full-time course is £9000 pa, the full-time equivalent part-time fees can in principle be higher. Prior to 2012 there was no limit on the part-time fee that could be charged, but for 2012 the limit was set at £6750 pa¹³, 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,

¹³ The fee limits do not apply to students ineligible for loans (e.g. those who already have an equivalent qualification) or courses which are not supported by loans (e.g. those with an FTE of less than 25 per cent). For students on courses potentially eligible for loans, publicly funded institutions now have a legally enforced maximum part-time fee limit of £6750 if they have an agreement with OFFA, and a maximum of £4,500 if they do not have an OFFA agreement. Private institutions are not subject to the maximum fee limit; their students can apply for a fee loan of up to £4,500.

and, for a 16 year course, the total fee loans could be £108,000! Clearly none of the seven universities in table 1 have exercised this freedom to charge very high fees, though those who have a fee of £9000 per FTE will be charging the maximum allowed (£6750) for a four year part-time course equivalent to three years of full-time study.

19. Table 2 gives some examples of courses offered by Birkbeck College and the Open University, the two institutions where almost all the undergraduate study is part-time.

Table 2: Examples of course fees before and after the White Paper

	Course	Course length	Credits pa	Fee pa		Fee per FTE (120 credits)	
				2011	2012	2011	2012
Birkbeck	Architecture, Landscape and Modernity	5 days	15	£240*	£325	£1920	£2600
	Business Psychology (BSc)	4 years	90	£2736	£6750	£3648	£9000
OU	Applying strategic thinking	30 hours	non-credit bearing	£495	£495	n/a	n/a
	Psychology BSc Honours	6 years	60	£887**	£2500	£1773	£5000

Table 2 Source: Institutions' websites, communication with institutions.

* 2013 fee for continuing students

** Depends on exact modules taken. £887 represents a typical set of choices.

20. Table 2 shows the main types of part-time study that most universities offer. There are the degree programmes, in this case both working towards a BSc honours in Psychology, which are similar to full-time courses. For these we see tuition fee increases of 148 per cent (Birkbeck) and 182 per cent (Open University). At Birkbeck we have an example of a short Continuing Education (CE) course, where the increase has been held down to 35 per cent, presumably because this is what the university believes students would be prepared to pay. Finally we have a short Continuing Professional Development (CPD) course with the Open University which has seen no increase in the tuition fees. CPD courses typically are not accredited and their level is therefore uncertain; this

Open University course might be at postgraduate level. These courses have not been funded through HEFCE's teaching grant, and the students are ineligible for a loan, so the White paper changes have had no direct impact. Note that this provision is not returned to HESA's student record, nor the funding councils' student returns, so that it is not recorded in most tabulations of student numbers.

21. 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, we have been informed that they found large increases in part-time fees for students starting in 2012, in line with the proportional increases found for full-time students. They find that some universities simply pro-rata the full-time fees whilst others have a separate price structure¹⁴. It seems likely that significant numbers of entrants will have been charged the equivalent of the full-time maximum fee.

Separating supply and demand

22. 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 available¹⁵.

23. For most institutions, part-time study represents a small proportion of their undergraduate provision, which gives them several possible responses.

a. They may decide to discontinue the provision, particularly if they are confident of attracting 'high achieving' full-time students who are not included in controls. This would particularly affect 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 the part-time fees to make up for the loss of income from the HEFCE, taking the risk that this might reduce demand.

c. They could hold down the fee levels covering only the marginal costs or even cross subsidising the part-time provision.

24. It is likely that individual universities 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 the data sources that are available for this

¹⁴ Personal communication from Andrew King, Prices Division, Office of National Statistics.

¹⁵ Note HEFCE does not impose on part-time number limits, though course places will still be limited or, in the case of course closure, not available at all

report. 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

25. Part-time provision is more diverse than full-time. The two Birkbeck courses outlined in table 2 illustrate this. The Business Psychology course is much closer to a full-time course than to a CE course like 'Architecture, Landscape and Modernity'. 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 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.

26. For other courses, no qualification or credits are offered, like the 'Applying strategic thinking' course with the Open University (see table 2). Universities in England have reported around 3.1 million learner days¹⁶ per annum of non-credit bearing higher education CE and CPD, which translates to over 50,000 FTE¹⁷. As previously noted, the White Paper changes have no direct bearing on this provision, though, 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. Given the invisibility of non-credit courses, this creates a further challenge in interpreting trends. In this report when considering part-time students aiming at a qualification or credits we distinguish between different type of part-time using up to three qualification aim groups:-

- First degree and equivalent qualifications
- Foundation degrees (FD) and Higher National Diploma (HND)
- Other: sub-degree other than FD and HND, credits

27. This is a somewhat crude division, but it is all that is currently available if we are to include entrants for 2012-13 because until the HESA data become available in 2014 we must use the HEFCE HESSES and HEIFES surveys. For 2011-12 and earlier, we sometimes separate 'Other' into 'other qualifications' and institutional credits using HESA data..

¹⁶ 3.1 million learner days were recorded for 2010-11 through the HE-BCI survey. The days for 2011-12 were much higher but are under investigation to see if this is due to errors in the data returns. The average for 2003-04 to 2010-11 is 3.2 million. Over this period there is no clear change, though there are some indications of some reduction from 2007-08, which might be expected given the financial crisis.

¹⁷ 1 learner day is defined as 8 contact hours, so cannot be compared with the total number of days a full-time student would spend at a university. Two credits per day is a conservative estimate (the 5 days course at Birkbeck earned 15 credits, (see table 2). Two credits per day, gives a total FTE of 3.1 million x 2 / 120 = 51,667.

Trends in part-time undergraduate numbers – comparisons with Scotland and Wales.

Figure 1a: Entrants (thousands) to part-time undergraduate first degree, HND and FD courses at HEIs in GB (excluding the Open University)

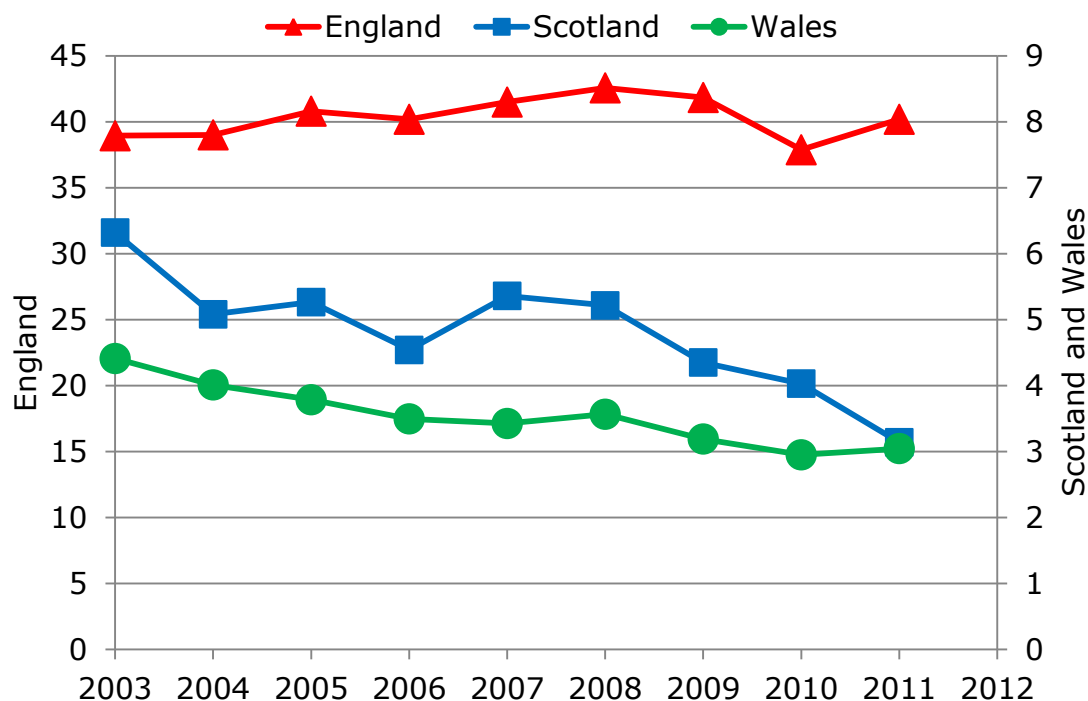
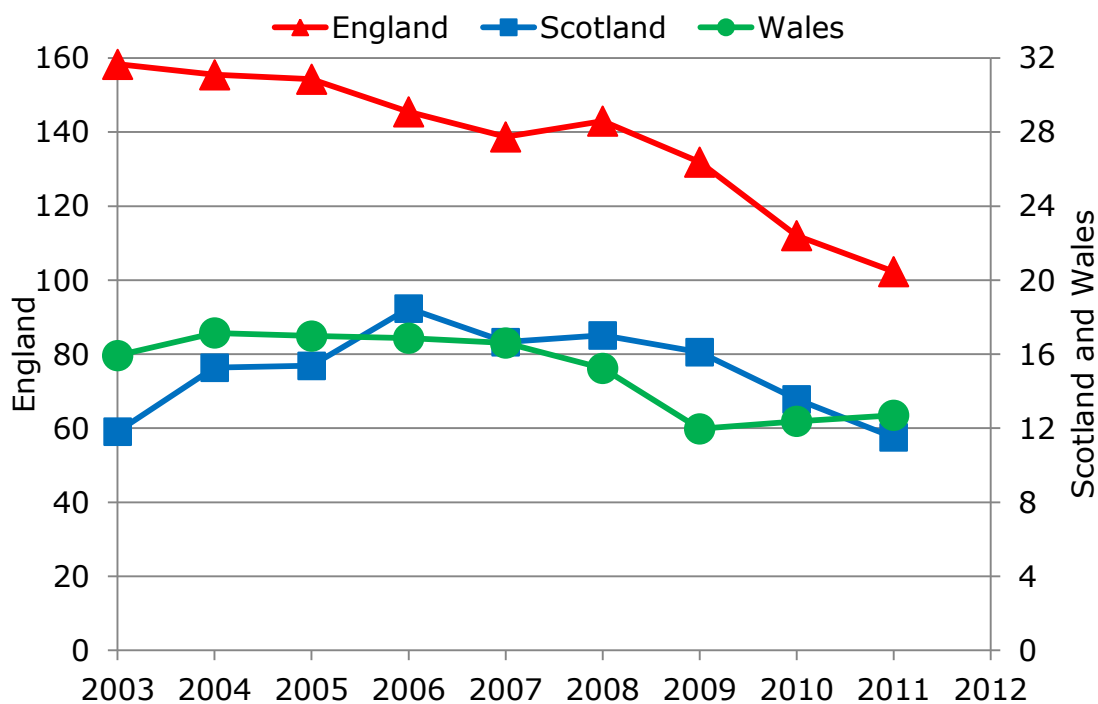


Figure 1b: Entrants (thousands) to part-time undergraduate other courses at HEIs in GB (excluding the Open University)



28. The figures 1a and 1b and all the other figures and tables in this main report use standard HESA definitions applied to HESA data. With part-time provision, particularly short courses and low intensity study, there can be inconsistencies in how HEIs identify entrants. To see if this had a material effect on the results all the calculations have been repeated using a narrower, more constrained, definition of entrant. This does remove certain variations, for example the peak in the number of entrants to 'other' courses in Scotland in 2006-07 (figure 1b) disappears. However, using the constrained definition does not change the general trends and we therefore use standard HESA definitions for the figures and tables in this the main report. Details of how the constrained counts are derived, and the results obtained, can be found in Annexes A1 and A2.

29. Figures 1a and 1b compare the trends for part-time entrants to English HEIs with those for entrants to Scottish and Welsh HEIs up to 2011-12 using HESA data¹⁸. Figures 1a and 1b show the numbers of entrants to 'degree, HNC or FD' courses and to 'other' courses respectively. During this period, as we have seen, part-time fees rose in England following the increase in full-time fees to £3000 in 2006. There was no equivalent pressure on part-time fees in Scotland. Neither Scotland nor Wales introduced an ELQ restriction on funding, like that introduced for England in 2008-09. With that background, we might expect to see part-time numbers in England fall behind the other counties.

30. Looking first at the numbers for entrants to degree, HND and FD courses at HEI's in England, we see that over the whole period the numbers have been stable, while, contrary to what we might expect, for Scotland and Wales the numbers of entrants have declined. For 'other courses' it is the HEIs in England that have seen the biggest decline over the whole period from 2003-04, due to reduced numbers of entrants to courses leading to 'other qualifications' like CertHE or DipHE (that is all undergraduate qualifications other than degrees, HNDs or FDs), rather than credits. Since 2008-09, this decrease has accelerated. In this later period Scotland and Wales have also seen decreases. Table 3 summarises the changes. For a more detailed breakdown see Annexes A2 and A3.

¹⁸ Note that the countries are distinguished by the location of the HEI, not the domicile of the entrant. Few students study 'traditional' part-time at an institution in a different country. The Open University (which is not included in these figures) is quite different, recruiting students from across the UK.

Table 3: Percentage increases (decreases) in numbers of entrants to part-time undergraduate courses at HEIs in GB (excluding the Open University)

		England	Scotland	Wales
2003-04 to 2008-09	Degree, HND, FD	9%	(17%)	(19%)
	Other	(10%)	44%	(4%)
		All	23%	(8%)
2008-09 to 2011-12	Degree, HND, FD	(6%)	(40%)	(15%)
	Other	(28%)	(32%)	(17%)
		All	(34%)	(16%)

31. Figures 1a and 1b and table 3 do not include students registered at FECs or the Open University. We will see that since 2008-09 the numbers entering FECs in England, though they have fared better than HEIs, have seen a decrease in overall numbers nonetheless (figure 7). The numbers at FECs in Wales are small, about two per cent¹⁹, and do not make a significant difference, but in Scotland about 39 per cent²⁰ are registered at FECs. However, between 2008-09 and 2011-12, the number of part-time students at FECs in Scotland has declined by 26 per cent²¹, following a trend that goes back to 2002-03 or earlier. For all three countries, therefore, the absence of entrants registered at FECs does not explain the declines since 2008-09.

32. HEFCW has explored the reasons for the decline in numbers in Wales between 2006-07 and 2010-11 (HEFCW, 2012). They identified a number of HEIs which had withdrawn part-time provision for certain subjects 'based on academic or strategic' rationales. It was suggested that a strong demand for full-time provision reduced the incentive to continue or expand part-time courses, which were viewed as having extra requirements, like outside standard hours support, and higher costs. We have not found a similar investigation into the decline in Scotland, though it is believed that policy initiatives to increase

¹⁹ Part-time home and EU undergraduate fundable and non-fundable for 2011-12. HEIs in Wales (excluding Open University) = 21,915, FECs in Wales = 451 (HEFCW HESES).

²⁰ Part-time undergraduate numbers for 2011-12: HEIs in Scotland (excluding Open University) = 26,360, FECs in Scotland = 16,525. See table 6 of SFC (2013) for definitions. These totals, excluding postgraduates supplied by the SFC

²¹ Calculated from figures in table 6 of SFC (2013). These include postgraduates, but the numbers are very small (see table 1) and can make no material difference.

employment prospects of for young people have tended to be met through more full-time rather than part-time courses at colleges.

33. 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. The Higher Education Funding Council for Wales (HEFCW) collects data on the total number of enrolments, including continuing students, while the Scottish Funding Council (SFC) collects FTEs. In table 4 we show the statistics for Wales and Scotland compared to England.

Table 4: 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%

Table 4 Sources: HEFCE, HEFCW and SFC. Note that the comparison with Scotland only students used in the determination of the funding council grants are included. This means for England ELQ students are excluded.

34. All three countries see decreases between 2011-12 and 2012-13 with larger decreases for England. Overall, the figures suggest that the White Paper changes may be responsible for part of the decrease we see for England. However, with these data, we are not comparing exactly like with like, and the picture is blurred by the large numbers of continuing students who should not be affected by the White Paper changes. With the new arrangements the 2012-13 figures for Scotland are expected to include very few home students whose domicile is outside Scotland. It is possible that this could account for at least part of the decrease in FTE that we see. We are not able to separate the White Paper impact from the complex trends we see up to 2011-12, still less understand what aspect of those changes led to the accelerating decrease in entrant numbers that we have seen. This will begin to become possible next year, and at pages 25 to 27 we outline the kinds of analysis that needs to be carried out.

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

Figure 2: Number (thousands) of home domiciled students starting part-time undergraduate courses registered at HEIs in England

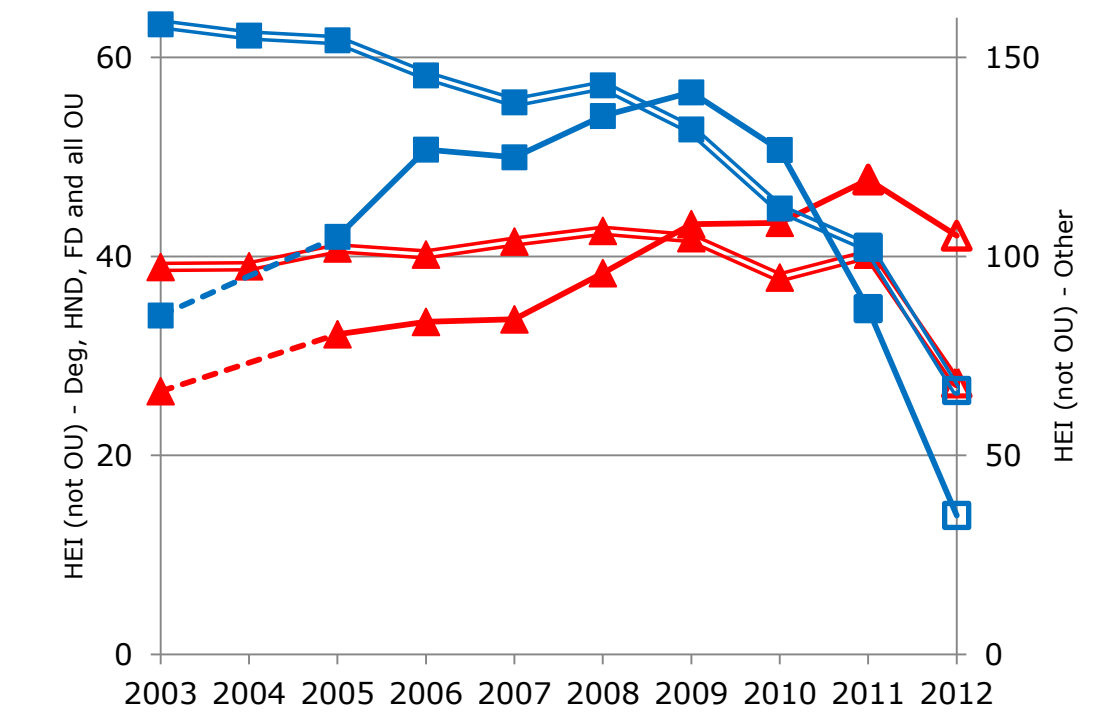


Figure 2: Sources - HESA data, HEFCE HESES returns and Birkbeck College’s HESES recreation figures. Details at Annex A1

Key:

- Red/triangles – First degree, HND, FD (left hand scale)
- Blue/squares – Other (right hand scale for HEIs excluding OU)
- 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

35. Figure 2 shows the numbers of students starting part-time undergraduate courses from 2003-4. All points are derived from HESA data except for 2012-13 which is derived by applying the proportional decrease between 2011-12 and 2012-13 found from the HESES data. Table 5 contains a selection of summary statistics from figure 2.

36. We use HESES data for 2012-13 because the HESA individual student records will not be available until 2014. The HESES data are not ideal for policy analysis; they do not provide much detail, definitional changes are relatively frequent, and, with a submission date in December, they involve an element of prediction. The counts of entrants are not used for funding, nor are they subject to the rigorous checks that

are carried out during the collection of HESA data. In the course of preparing this report we have uncovered some large errors in the entrant counts reported to HESES. We plan to replace HESES with HESA data as soon as it becomes available.

37. In March this year HEFCE published summary results from their HESES and HEIFES surveys (HEFCE, 2013). Here we only use HESES data where absolutely necessary, that is to estimate the 2012-13 entrant numbers. We also provide some breakdowns by qualifications aimed for, and set these in the context of a longer time series²².

Table 5: Percentage increases (decreases) in numbers of entrants to part-time undergraduate courses at HEIs in England

		HEIs in England (not OU)	Open University	All HEIs in England
2003-04 to 2008-09 ¹	Degree, HND, FD	9%	45%	24%
	Other	(10%)	59%	2%
	All	(6%)	53%	8%
2008-09 to 2011-12 ¹	Degree, HND, FD	(6%)	25%	9%
	Other	(28%)	(36%)	(30%)
	All	(23%)	(11%)	(19%)
2011-12 to 2012-13 ²	Degree, HND, FD	(32%)	(12%)	(21%)
	Other	(35%)	(60%)	(44%)
	All	(34%)	(32%)	(33%)

Table 5: Sources – 1 = HESA data , (2) HEFCE HESES data and Birkbeck College’s HESES recreation figures. . More details and further breakdowns at Annex A3

38. The Open University is shown separately; being so large and distinctive, it can modify the trends for the whole sector. Note that not all home students starting at the Open University in 2012-13 saw the fee increases to £5000 per FTE. Entrants from Scotland, Wales and

²² The HEFCE Report used counts of home and EU entrants from HESES and HEIFES, this report used counts of home entrants. In this report we have replaced the HESES returns for Birkbeck College with their own HESES recreation figures.

Northern Ireland (17 per cent of 2011-12 entrants²³) pay fees following the pre-2012 structure²⁴.

39. In contrast with other HEIs, the Open University saw increases in entrant numbers to 'other courses' between 2003-4 and 2009-10, but since 2009-10 there has been a steep fall in numbers.

40. While the Open University has seen significant increases in numbers of first degree, HND and FD entrants to 2011-12, for other HEIs over the whole period the numbers have been flat, rising by 9 per cent to 2008-09, and then falling by 6 per cent between 2008-09 and 2011-12. Both the Open University and other HEIs saw a decrease to 2012-13, but in the case of the Open University's degree entrants, this may simply reflect the fact that 2011-12 was a 'one off' high number due to fee increase avoidance.

41. Dominating the overall numbers over the whole period from 2003-4 to 2012-13 has been the almost continuous decline in the number of entrants to 'other' courses at HEIs in England excluding the Open University. This was evident from figure 1b, but now we see the further steep fall to 2012-13. As mentioned previously, most of the decrease to 2011-12 was due to a reduction in the number of entrants to 'other' courses leading to qualifications²⁵, not courses leading to credits. Between 2003-04 and 2011-12 the number of entrants to credit courses fell by 13 per cent, to courses with qualifications 48 per cent. The analysis using a more restricted definition of entrant leads us to think that most of the apparent 13 per cent decrease is due to the way data has been submitted rather than a real change, whilst the 48 per cent reduction to courses to qualifications is about right²⁶.

42. We should remember that these are counts of entrant numbers which do not take into account the population size. If we take the 30-39 year old age group, the age population for England declined by 10 per cent between 2004 and 2012²⁷. For mature students, the rates are complicated by the fact that for any given age and year, there will be a proportion of the population with HE qualifications. Ideally we would want to take those populations with and without HE qualifications separately. The proportion of 35 year olds with an HE qualification rose

²³ Calculated from HESA data.

²⁴ For example, the fee for 120 credits (1 FTE) in 2013-14 will be £5124 for students from England and between £1510 and £2814 (depending on the modules chosen) for students from other parts of the UK.

²⁵ The most common qualifications in this 'other' category are: Post-registration health and social care qualifications at various undergraduate levels, CertHE, DipHE, and 'Certificates' at various undergraduate levels, some formerly described as NVQs

²⁶ See Annex A3, Sheet HEI-England. The percentage decreases using standard (constrained) definition are 13.1% (2.1%) for other qualifications and 48.4% (47.4%) for credits

²⁷ Population estimates as used to calculate application rates provided by UCAS.

from less than 26 per cent per cent in 2004 to over 40 per cent per cent in 2012²⁸. With constant entry rates, we would expect a fall in entrant numbers.

43. It is interesting to compare these trends in entrant numbers with what has happened to the mature application rates to full-time courses (figure 11a); we will see that these applications peaked for the 2010-11 academic year, and since have also been in sharp decline. Perhaps there are common factors at work. A reduced demand for mature undergraduate study in general might be expected to show up with the part-time entry figures before full-time application figures, given the longer lead times for full-time application.

More detailed results for selected institutions and groups of institutions

44. Here we look in more detail at the short run from 2008-09 to 2012-13. The data sources and definitions are the same as for figure 2, apart from the figure for FECs which is based on the HEFCE HEIFES survey.

HEIs in England excluding the Open University

Figure 3 : Numbers (thousands) of home part-time undergraduate entrants registered with HEIs in England excluding the OU

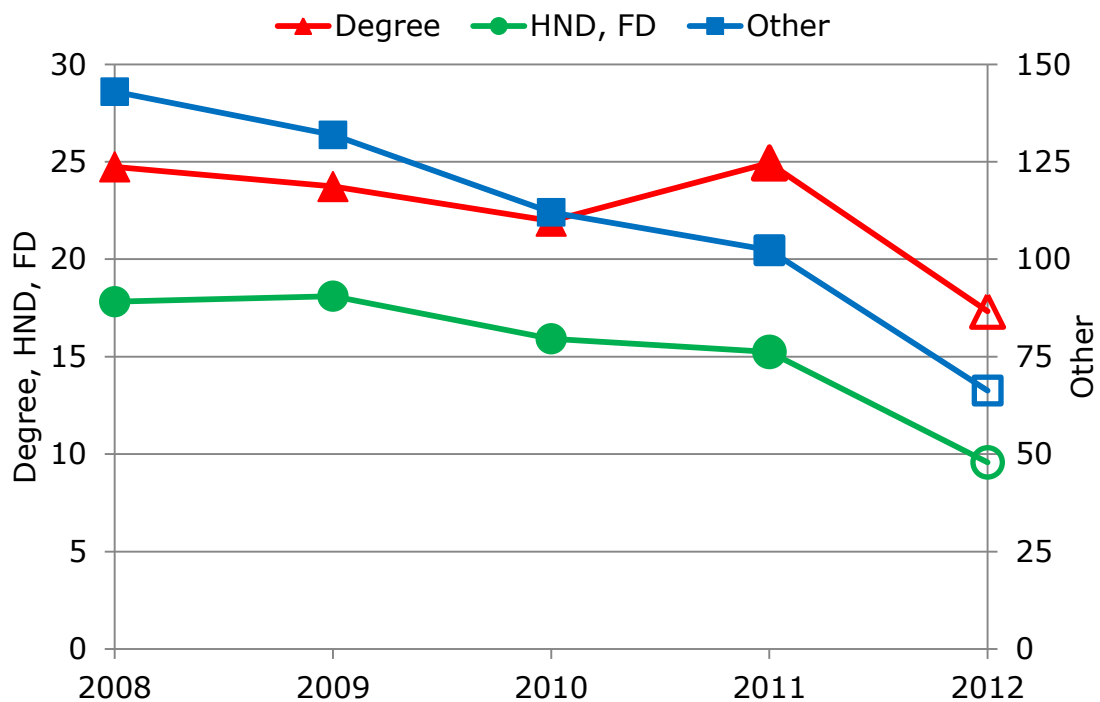


Figure 4: Sources - HESA data, HEFCE HESES returns and Birkbeck College’s HESES recreation. See Annexes A1 and A2.

²⁸ Estimated from Labour Force Survey (April - June, 2012).

45. The very slight rise in the number of HND and FD entrants between 2008-09 and 2009-10 comes at the end of a period of significant growth. Between 2003-04 and 2009-10 HND and FD entrant numbers increased by more than 50 per cent, but after 2009-10 this provision declines along with courses leading to other qualifications. The spike in 2011-12 in degree courses is clearer with this scale and is reminiscent of what we see with application rates to full-time courses.

Open University

Figure 4 : Numbers (thousands) of home part-time undergraduate entrants registered with the Open University

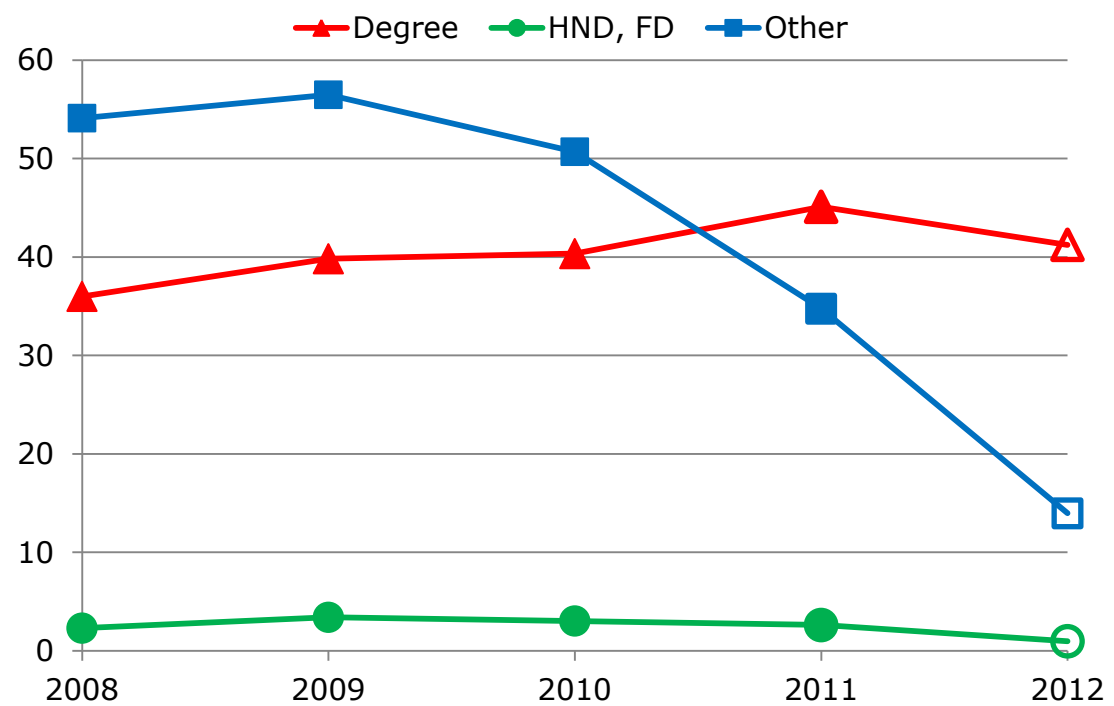


Figure 4: Sources - HESA data and HEFCE HESES returns. See Annexes A1 and A2.

46. The Open University has only a small number of students studying towards a foundation degree, and none aiming for an HND. The 'spike' in 2011-12 is noticeable for entrants to degree courses.

47. The Open University presents options to students to apply to study a one off module or, in most cases, apply to study the same module as part of a course leading to a qualification aim. Students can only get a loan if they choose to study for an approved qualification', not for credits. This may in part account for the decline in 'Other' and the relative stability of 'First Degree' between 2011-12 and 2012-13.

Birkbeck College

Figure 5: Numbers (thousands) of home part-time undergraduate entrants registered with Birkbeck College

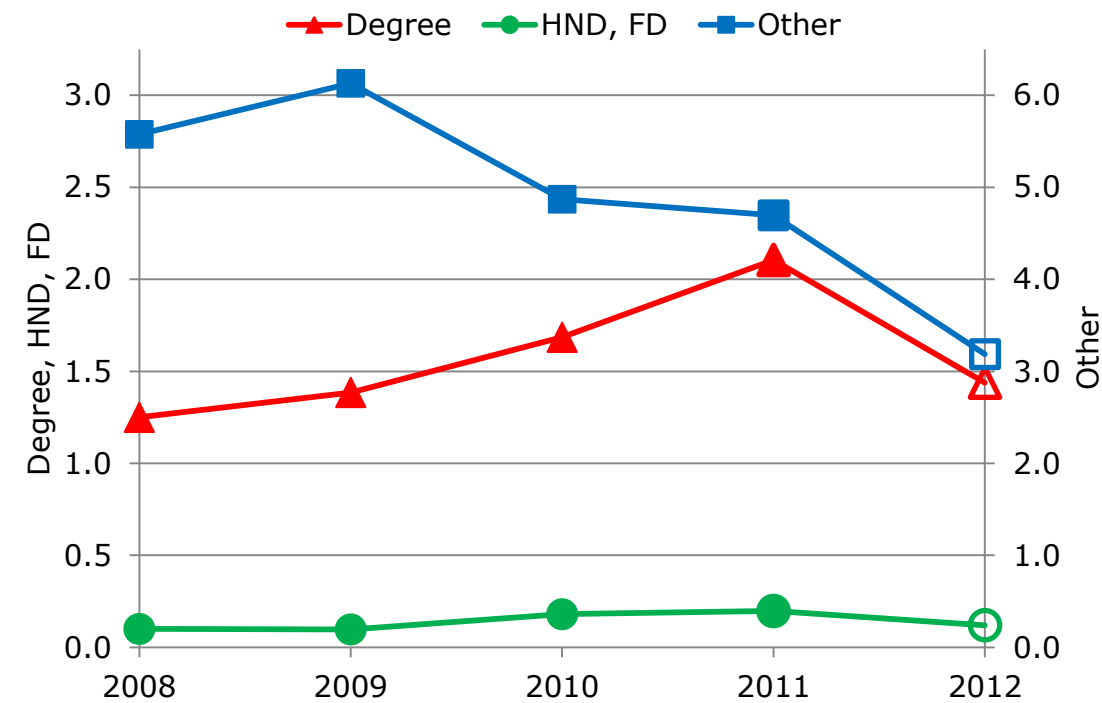


Figure 5: Sources - HESA data and Birkbeck College’s HESES recreation figures. See Annexes A1 and A2.

48. For Birkbeck College we see also see a spike in the number of entries to first degree courses in 2011-12, prior to the decrease in 2012-13, again possibly caused by people bringing forward their plans to avoid the increase in fees. If this is the case we may expect that the numbers in future years will be maintained or even increased. The numbers starting foundation degree courses are relatively high for 2010-11 and 2011-12, more than twice the average for the years back to 2003-04. Looking back to 2003-04 the numbers starting ‘other’ courses is quite volatile, and so it is unclear whether there is a downward trend, and therefore uncertain to what extent courses like ‘Architecture, Landscape and Modernity’ which featured in table 2 will be attracting students in the future.

Russell Group Universities in England

Figure 6 : Numbers (thousands) of home part-time undergraduate entrants registered with Russell Group Universities in England

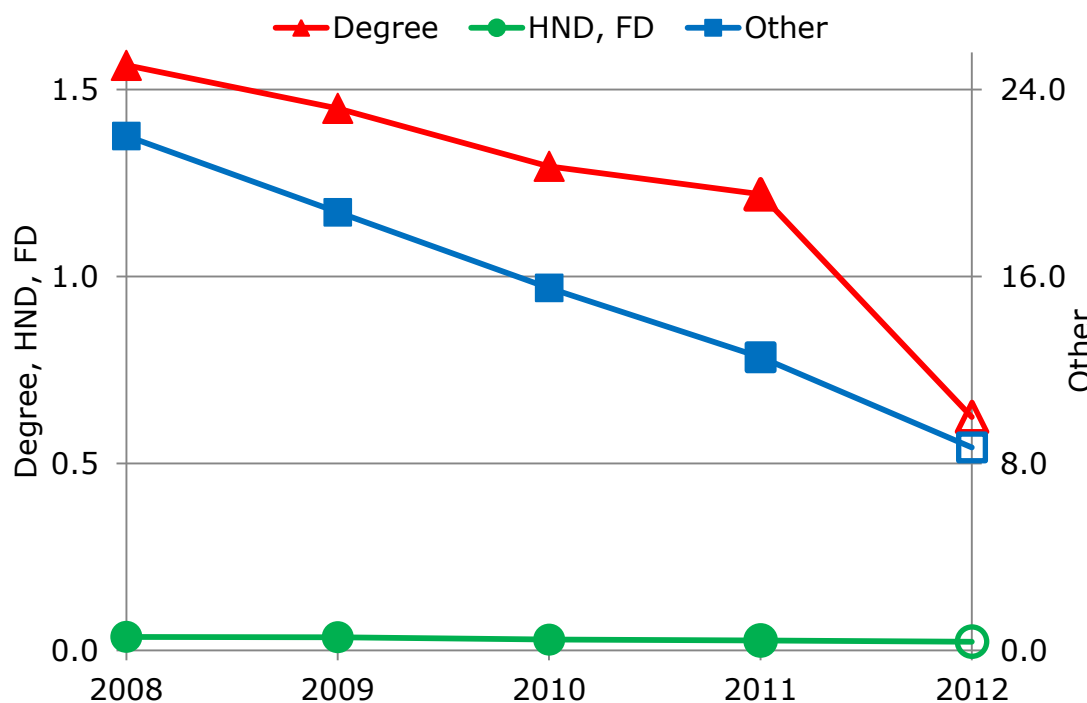


Figure 6: Sources - HESA data and HEFCE HESES returns See Annexes A1 and A2.

49. 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.

50. Even in 2003-04 the Russell group universities had fewer than two thousand first degree entrants, and the numbers have been steadily decreasing. There is some uncertainty about the projection of the numbers of entrants to degree courses to 2012-13 because there is a poor match between the HESA and HESES data, but if we take the figures at face value, the rate of decrease accelerated in 2012-13.

51. The numbers of entrants to 'other' courses, which captures much of the continuing education (CE) provision, has a much larger headcount, but it too is in decline, with the number of entrants less than half the 2003-04 numbers by 2011-12. For the sector as a whole (see paragraph 39) we found that the decrease in entrants to 'other' courses was due to reduced numbers aiming for qualifications²⁹; the numbers aiming for credits was stable. For the Russell Group the numbers of entrants to credit courses, as well as 'other qualification' courses, has declined. Between 2003-04 and 2011-12 the number of entrants to credit courses

²⁹ That is undergraduate qualifications other than degrees, HNDs and FDs.

fell by about 50 per cent compared to courses with 'other' qualifications which fell by about 60 per cent.

52. 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 and fair access, 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. This interpretation is more defensible for those universities that are close to others offering part-time opportunities, less so where there are few alternatives within easy reach.

Further education colleges in England

Figure 7: Numbers (thousands) of home part-time undergraduate entrants registered with FECs in England

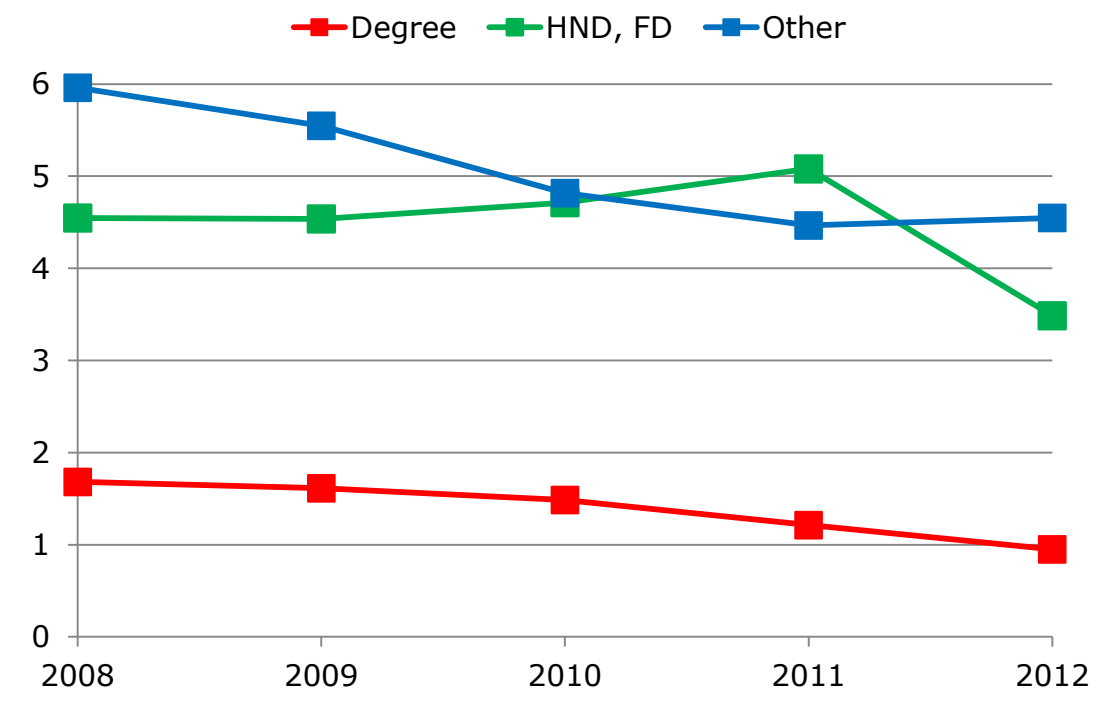


Figure 7: Source - HEFCE HEIFES returns.

53. Overall, FECs have seen a smaller decline in the numbers of part-time entrants than HEIs, indeed between 2011-12 and 2012-13 they saw a small increase in the number of entrants to 'other' courses. In contrast to HEIs, the FECs have far more students starting HND and foundation degree programmes than entrants to first degree courses. Demand for

these courses has been buoyant, which has helped FECs to maintain their overall student numbers.

54. The 'core plus margin' system introduced in 2012-13 may also have helped keep FEC part-time entrant numbers stable. For each institution with full-time fees less waivers of more than £6000, their full-time entrant quota was reduced. FECs and HEIs could bid for these places only if their full-time fees less waivers were less than or equal to £7500. As a result, because they charged lower fees, FECs tended to gain full-time numbers at the expense of HEIs. Given that part-time numbers were not controlled, this 'core plus margin' effect should not apply. However, the HEI full-time losses and the FEC gains were sometimes achieved by entrants who would previously have been taught at an FEC, but registered at an HEI, being registered and taught at the FEC. If this resulted in an end to a 'franchise' agreement, part-time HEI and FEC numbers could be affected. The little evidence we have suggests that this movement was not large, and does not explain the overall fall in HEI entrant numbers, but it may contribute to the picture we see in figure 7³⁰.

55. Figure 7 does not include entrants to courses leading to non-prescribed undergraduate qualifications³¹, which can be funded by the Skills Funding Agency (SFA) and are not affected by the changes introduced in 2012³². This means that, unlike for HEIs, the 'Other' category will not include courses leading to institutional credits. In contrast to HEIs, the FECs have far more students starting HND foundation degree programmes than entrants to first degree courses.

Entrant numbers - conclusions

56. Between 2011-12 and 2012-13 we have seen falls in the number of entrants to part-time undergraduate programmes. For every combination of providers and courses that we have looked at, bar one, the number of entrants has decreased. The exception is the very slight increase in entrants to courses leading to 'other' qualifications at FECs. Further, in

³⁰ HESES (table 5, column3) gives the total numbers, rather than entrants, of students 'franchised out'. These show a decrease between from 2011-12 to 2012-13 which is smaller than the overall decrease in entrants but greater than the overall decrease in total numbers. Because we do not know the proportion of entrants 'franchised out', these statistics are difficult to interpret, but they do suggest that changes to franchising arrangements are not a dominant factor.

³¹ These are all level 4 or undergraduate qualifications apart from first degrees, foundation degrees, foundation degree bridging courses, HND, HNC, Diploma in HE, Certificate in HE, Diploma in Teaching in Lifelong Learning Sector.

³² From 2013-14 home entrants to courses leading to level 4 (that is undergraduate) non-prescribed qualifications aged 24 or older may be eligible for a '24+ Advanced Learning Loan'.

so far as we are able to make comparisons with Scotland and Wales, the decreases in England are greater.

57. While these results may appear clear cut, they are not. Firstly, for our counts of entrants to HEIs and FECs in England, we have had to rely on data sources which we have found to be unreliable. And 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.

Entrants to degree, HND and FD courses

58. For some institutions, in particular the Open University and Birkbeck College, it looks as if 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. This is something that we are familiar with from looking at application rates to full-time courses. We would expect some entrants to bring forward plans to start their studies so as to avoid the increase in fees. If this is the case, we would not expect to see further decreases in the numbers of entrants to degree courses, at least for those institutions that have maintained or increased their numbers over the last few years.

59. Some other HEIs saw a much bigger decrease in entrants to degree courses. In particular, the Russell Group HEIs in England saw entrant numbers fall by almost a half. This represents a sharp acceleration in a decline going back to at least 2003-04. Given the success these institutions have had in branding themselves as the UK's 'top universities', it would be surprising if these decreases were entirely due to a decrease in demand. A reduction in supply seems more likely.

Entrants to courses leading to other qualifications and credits

60. When we look at the decreases in entrant numbers to courses leading to institutional credits, or a qualification other than a degree, HND or FD between 2011-12 and 2012-13, they look like the continuation of a trend going back at least three or four years. Entrants to the Open University have been declining since 2009-10, and for other HEIs in England as a whole the decline goes back to at least 2003-04. So it is unclear whether the decreases we see between 2011-12 and 2012-13 are simply a continuation of this trend, or whether they are at least partly due to increases in fee levels. The comparisons with provision in Scotland and Wales suggest that some of the decrease seen in England was due to the White paper changes, but, as already pointed out, this evidence is somewhat shaky. In our review of the White Paper we anticipated a sharp decrease in demand for many short or low intensity courses, and such courses will for the most part be included in the 'other'

courses identified in this report. We came to this conclusion not solely, or even primarily, because no loans would be available for these courses, but because for these students a part-time course was more likely to be a discretionary purchase. We only have sketchy information on fee levels for 2012-13; it is possible that institutions, believing that demand for short and low intensity courses is soft, have limited the fee increases.

61. We can confidently conclude that the provision of loans to a minority of part-time students has not been sufficient to stop the continuing decrease in the numbers of part-time entrants. To what extent the increases in fees have suppressed demand is uncertain.

What we need to find out

62. There is widespread agreement that part-time study is 'a good thing' both for the individual students and for society, and, so, there is widespread concern about the fall in entrant numbers. There are plenty of proposed remedies, but insufficient evidence to decide which, if any, might work. The key questions are:-

- a. What were the fees charged in 2012? How did the fees vary by institution, and by course characteristics, in particular by 'size' - a combination of intensity of study and course length?
- b. What would the numbers of part-time entrants have been had the changes not been introduced, disaggregated by student and course characteristics?
- c. To what extent is the reduction in entrant numbers due to net course closures, and to what extent is it due to reduced numbers on courses that have continued?
- d. Did the loans 'work'? What proportion of those eligible took out a loan, and how did this vary by student and course characteristics? Did the availability of loans for those students who were eligible compensate for the increases in fees? Or, to put it another way, are the reduced numbers explained by reductions in the numbers of entrants who were not eligible for loans? And, if the reductions are disproportionately found for those who were ineligible, do we see differences between those who were disqualified by the intensity of the courses (the 25 per cent FTE rules) and those who were disqualified by their HE qualification?
- e. What happened to employer sponsorship? For courses available in 2011-12 and 2012-13, how many students had their fees paid in whole or in part by their employer, and how much did the employer contribute?

63. Answers to most of these questions can be attempted, for students registered at HEIs, using the data from the 2012-13 HESA record which will become available in 2014.

64. In answering many of these questions, it would be important to look at a time series, before and after the White Paper, and both in England and other parts of Great Britain where the changes were not introduced. The HESA data facilitates this, with the same data collected across the UK. The Open University may be particularly revealing since we will be able to compare take up of the same courses with very different tuition fees, by comparing English domiciled entrants with other home entrants. Rates on entry, rather than counts of entrants need to be calculated, to allow for changes both in the populations as a whole, and the proportions both with HE qualifications and, particularly for young entrants, the proportions entering full-time courses.

65. We have seen that the decline in entrant numbers at HEIs (excluding the Open University) up to 2011-12, was the result of decreasing numbers of entrants to 'other' courses, and, even within this category, the decline in the numbers studying for qualifications rather than credits. If future analysis is able to further identify course and student characteristics associated with both long standing decreases, and the decrease after the White Paper changes, we will have a better chance of understanding what is driving the decrease in entrants.

66. Identifying the impact of supply is difficult, but it should be possible to track individual courses and identify course closures and new courses and thereby estimate the net effect.

67. We envisage a number of possible complications. One difficulty, that it may not be possible to completely resolve, is how to account for tactical changes in the way the data have been reported, which have little or no significance on the ground. For example, a year's study on a course built on modules, can be reported as having a qualification aim as 'institutional credits' or as a 'first degree', either through a student's choice or by a decision of the institution. In either case, there is now an incentive to report the aim as 'first degree' where this would make the student eligible for a loan.

68. We can also envisage circumstances where a student knows they have little or no prospect of making any repayments, where it would be cheaper for them to sign up for two 15 credit (12.5 per cent FTE) modules rather than one, so an option would be to sign up for two but

only actually study one³³. To decide whether the changes are 'tactical' or 'real' would involve looking at the completion rates; this would be difficult and could take up to a decade to reach a final conclusion³⁴.

69. Finally, we need to remember that entrants on unaccredited courses will not be returned to the HESA student record, and the HE-BCI survey is too blunt an instrument to be able to detect movement from accredited to unaccredited programmes or the other way round. Both changing incentives for students and for institutions may change the number of visible entrants, without there being any real change on the ground.

70. Ideally the quantitative analysis would be followed up by surveys and interviews, targeted by the findings from the HESA data. This could address some of the difficulties described and would be helpful in getting the story behind the statistics. For example, where it seems that a course had been closed, was it, and if it was, why was it closed?

Young full-time undergraduate application rates

71. 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.

72. In the 2013 report UCAS do not revise this estimate. They present results for cohorts applying at either 19 or younger, rather than just at aged 18, that is to say 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 of applicants 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 decided to apply aged 18 in 2011 rather than aged 19 in 2012, (thereby avoiding the increase in fees). 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 rapidly with age.

³³ According to HEFCE (HEFCE, 2013) a large part-time provider commented, "The change in funding and the focus on loans has led the university to shift its offer from stand-alone modules to qualifications. A higher proportion of students than expected have opted for a named qualification rather than modules and more are studying at a higher intensity". This does not mean, of course, that such shifts are 'tactical', but it does show that care must be taken in interpreting the changes we observe.

³⁴ 41 per cent of part-time UK domiciled first degree students registered at a UK HEI who studied at an intensity of 30 per cent or more had completed within six years. Another 7 per cent (total 49 per cent) completed later. The results for the Open University are not so clear, because all their students had been registered as studying for institutional credits, but the evidence suggests that the completion rates for these students takes longer to level off with time than for students at other universities. (HEFCE 2009a).

73. Before looking at the cohort trends for applicants aged 19 or 18 or younger, we revisit the impact of temporary changes on 18 year old application rates, using 2013 outcomes as well as the new information on the relationship between 18 and 19 year old entry.

Temporary effects on introducing new arrangements

74. Maximum fees were £3375 in 2011 and £9000 in 2012, so for those who had the choice, entering in 2011 led to a saving of at least £16,875 for a three-year course with maximum fees, ignoring any future fee rises and interest charges. For most of those aged 18 in 2012 there was no choice: very few of these students will have been qualified to apply earlier. However, for many of those aged over 18 in 2012, there will have been the possibility of applying earlier and avoiding the rise in fees, though this may have involved a trade off with a reduced choice of course and university.

75. Given the financial incentives, some who would have entered at 19 in 2012, will have decided to enter at 18 in 2011 instead; the question is, how many? In our 2012 report³⁵, we gave an idea of the scale of this increase with a plot of the proportion of applicants applying aged 19. Figure 8 reproduces that plot with an extra point for applicants aged 18 in 2012. It shows the proportion of applicants who were aged 18 in the year in question who chose to apply the next year. We can see that until recently there was a trend towards higher proportions of 19 year old applicants in all countries.

76. For the 2006 fee rise to £3000 we would expect this ratio to decrease for the cohort aged 18 in 2005, as applicants who might otherwise have applied a year later aged 19 in 2006, decided not to do so. This is what we find for applicants from England. For applicants from Wales, there is a dip, but it is less pronounced than for applicants from England. This is what we might expect, given that only those Welsh students applying to a university in England would see an increase in fees and so have an incentive to apply at 18 in 2005. There is no dip in the ratio for students from Scotland, as we would expect, given that there was no increase in fees for these students.

³⁵ See figure 2 Thompson et al (2012).

Figure 8: Proportion of 19 year old applicants out of 18 and 19 year old applicants in the same age cohort (the cohort aged 18 in the year in question)

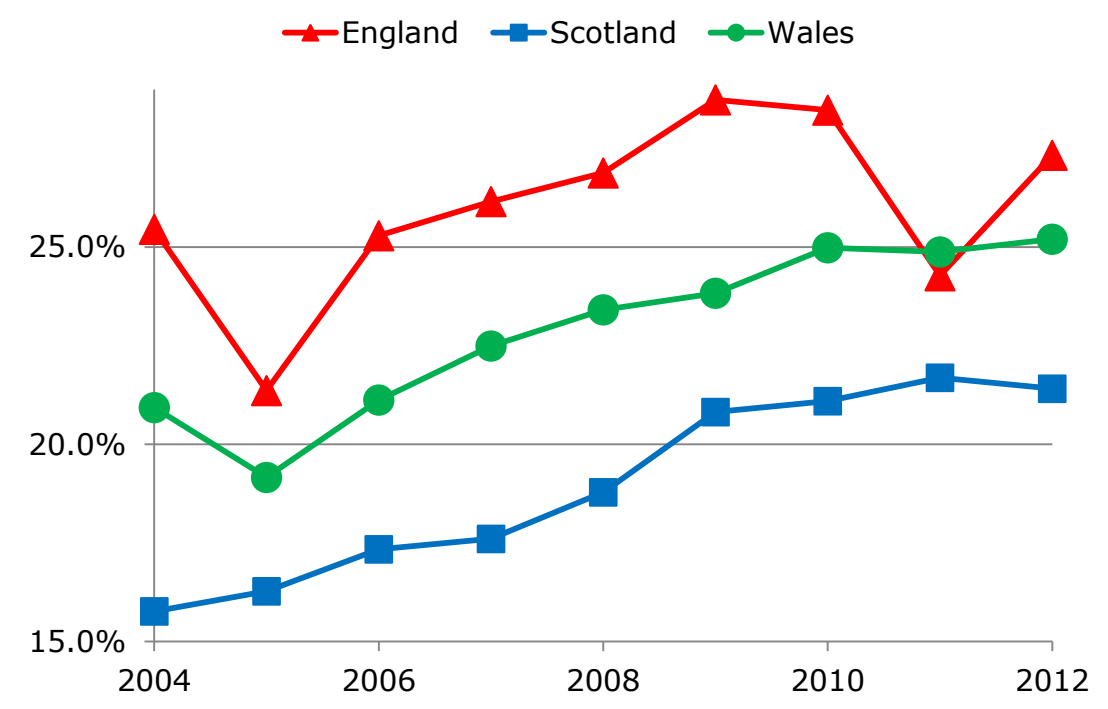


Figure 8 data: Source - UCAS, 2013a, figures 17, 19 and 20. See Annex B1 and B2.

77. For the 2012 fee rise we now have the complete picture with data from the 2013 application cycle. For the cohort aged 18 in 2011 there was an incentive not to apply aged 19 in 2012, with some bringing forward their application to 2011; whereas both the younger cohort (aged 18 in 2010) and the older cohort (aged 18 in 2012) did not have such a financial incentive to apply at aged 18 rather than aged 19. As we expected we now see a dip in the proportion of 19 year old applications for the cohort aged 18 in 2011. (Last year's report only showed a 'half dip', the 19 year old applications in 2013 were not available, so we did not have the aged 18 in 2012 point.). For applicants from Scotland and Wales there is no evidence of a dip, which is as expected given they did not see an increase in fees.

78. The decrease in 19 year old applicants which lies behind the aged 18 in 2011 dip is about 1.5 percentage points. We cannot assume that all of these missing applicants will have applied at 18, and even if they did, this will not necessarily affect the 18 year old application rate. Table 6 gives a breakdown of the pathways to application at 19 which can help us come to an estimate of the temporary impact of the fee increases on the 18 year old application rate.

Table 6 Pathways to application at aged 19

Year aged 18	Number of applicants / Number in population			
	First time application aged 19	Reapplication aged 19 after not accepted aged 18	Reapplication aged 19 after accepted aged 18	Total application rate aged 19
2010	9.2%	3.7%	0.7%	13.6%
2011	8.0%	2.8%	0.5%	11.3%
2012	9.3%	2.9%	0.6%	12.9%
2011 'Dip'	1.3%	0.1%	0.1%	1.5%

Table 6: Source - UCAS, 2013a, figures 1 ,2, 6 and 17. Details at Annexes B1 and B2.

79. Reapplication aged 19 after not being accepted aged 18 is the result of a complex mixture of supply and demand factors. Clearly deciding to apply again is another measure of demand, but even the acceptance rate itself is not purely determined by supply. Suppose applicants fail to meet the conditions of both main and insurance offers at aged 18. They will then have to decide whether to seek a place through Clearing, or try again in the following year. If this decision is finely balanced, the higher fees may be the deciding factor. We can see even those who are accepted at 18 sometimes reapplying aged 19 in the following year. This will include some who actually started the course they were accepted for, but then withdrew in the first year. Again, the increase in fees may influence such decisions.

18 year old application rates

80. Those who applied aged 18 in 2011 and who would normally have reapplied in 2012 but did not, whether previously accepted or not, will have no impact on the application rate at 18. However, for those who would normally have applied for the first time aged 19 in 2012, a decision to apply aged 18 in 2011 instead would lift the 18 year old application rate above what it would have been. We have to make a judgment as to what proportion of the applicants represented by the dip in the first time 19 year old applicants will have applied aged 18 in 2011. In figure 9 we show the results of assuming that all of the 'first time aged 19' dip results in extra applications aged 18 in 2011.

Figure 9: 18 year old applicant rates – adjusted introduction effects of fee rises in 2006 and 2012 by year of application (also year aged 18)

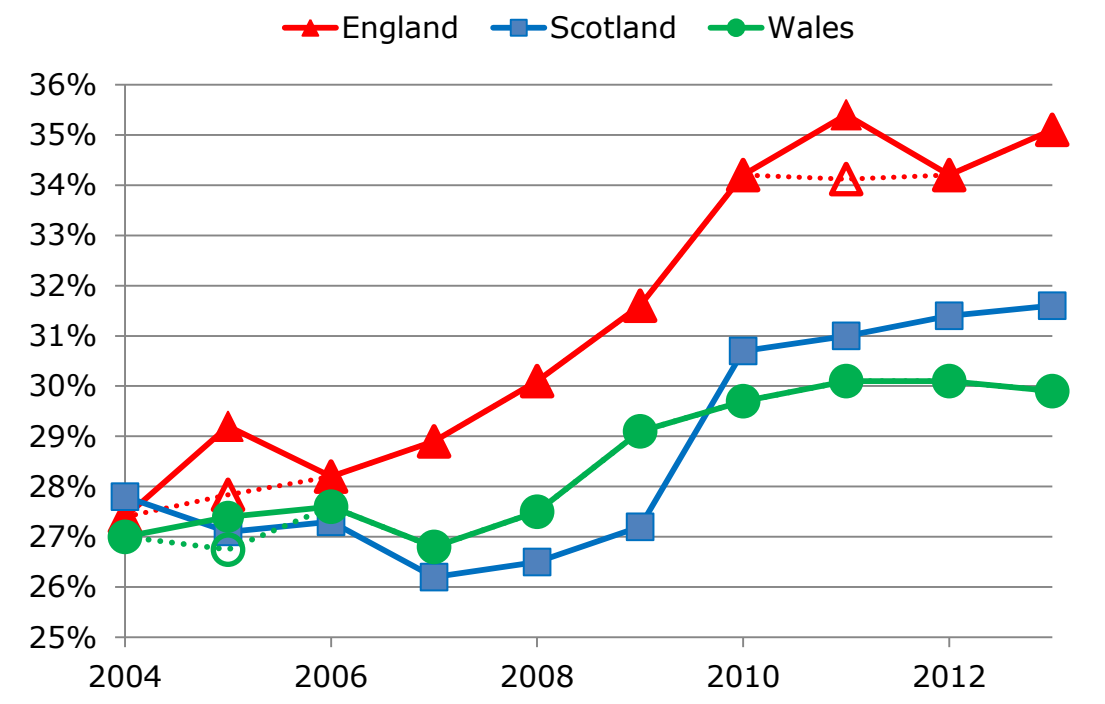


Figure 9 notes: Source - UCAS 2013a, figure 1. Dotted lines and unfilled markers show rates adjusted for fee rise introduction effects. See Annexes B1 and B2.

81. Figure 9 shows the 18 year old application rates with estimates of what we propose would have happened in 2011 if there were not high fee introduction effects, that is if applicants had not been deterred from applying aged 19. These 'without fee increase' estimates are shown with dotted lines. The 18 year old application rate in 2012 is just what was observed, in other words, for applicants who could not avoid the fee rise, we are assuming none were put off applying. Of course this is unrealistic, some will have been deterred, but figure 9 shows what we would see if none were.

82. The estimate of 15,000 missing applicants (UCAS, 2012) is based on an extrapolation of the trend from 2006 to 2011. The adjustment of the 2011 application rate suggests that, without the fee rise, the trend of increasing participation rates would have stopped, or at least decreased, in 2011.

83. Applicants from Scotland and from Wales give us information as to what happens without the 2012 fee increases. Neither provide an ideal counterfactual to what happened in England; it is clear that the trends in these countries are somewhat different from England even in years when there are no changes in fee levels. However, both countries show increases in application rates from 2007, which then level off, in 2011 in

Scotland and in 2010 in Wales. This adds credibility to the suggestion that the increases in application rates in England would have stopped or at least slowed in 2011 without a fee increase.

84. The 18-year old application rate in England again showed a large increase (0.9 percentage point) in 2013, much greater than that for Scotland, while Wales saw a decrease. This can be viewed as a return to the trend found between 2006 and 2011, though we would argue that the increase to 2011 was almost certainly due to temporary high fee introduction effects. There is no obvious reason why there should be a one off effect in 2013, but we will have to wait for future results to see if in England there is going to be a return to continuing large year on year increases.

19 year old and younger 'cohort' application rates

85. By adding the first time application rates at different ages for a single cohort the complications of changes in the decisions as to when to apply can be reduced. UCAS have published cohort application rates taking application at aged 19 and younger³⁶. This will allow for any age switching within this age range. This still leaves the possibility of some potential applicants aged 20 in 2012 or 2013, would have applied aged 18 or 19 in 2011, though given that application rates at 20 are typically about a third of those at 19, such effects will be smaller.

86. We find that there are reduced 20 year old application rates for 2012 and 2013 (see Annex B1). If the missing applicants had in fact applied earlier, aged 18 or 19 in 2011, the application rates for cohorts aged 18 in 2010 and 2011 would be higher than they would have been otherwise. We give an indication of what the rates would have been with the dotted lines in figure 10. These estimates are somewhat speculative, but they do show that the underlying deceleration in cohort application rates may have been smaller than appears, showing that temporary effects could explain the differences between the change in rates for England and for the other counties in the UK.

87. Figure 10 shows the aged 19 and under cohort application rates. The series starts with those aged 18 in 2006, rather than 2004, because this is the earliest year for which cohort rates are available.

³⁶ UCAS describe their cohort rates as 'the proportion of that cohort that applies at aged 18 or, a year later, at aged 19' (UCAS, 2013a, page 9). In fact the cohort rates shown in figure 3 of that report include all ages aged 19 or younger, so it will include the small numbers applying aged 17, and so on.

Figure 10: 19 and younger cohort applicant rates – adjusted introduction effects of fee rise in 2012, by year aged 18

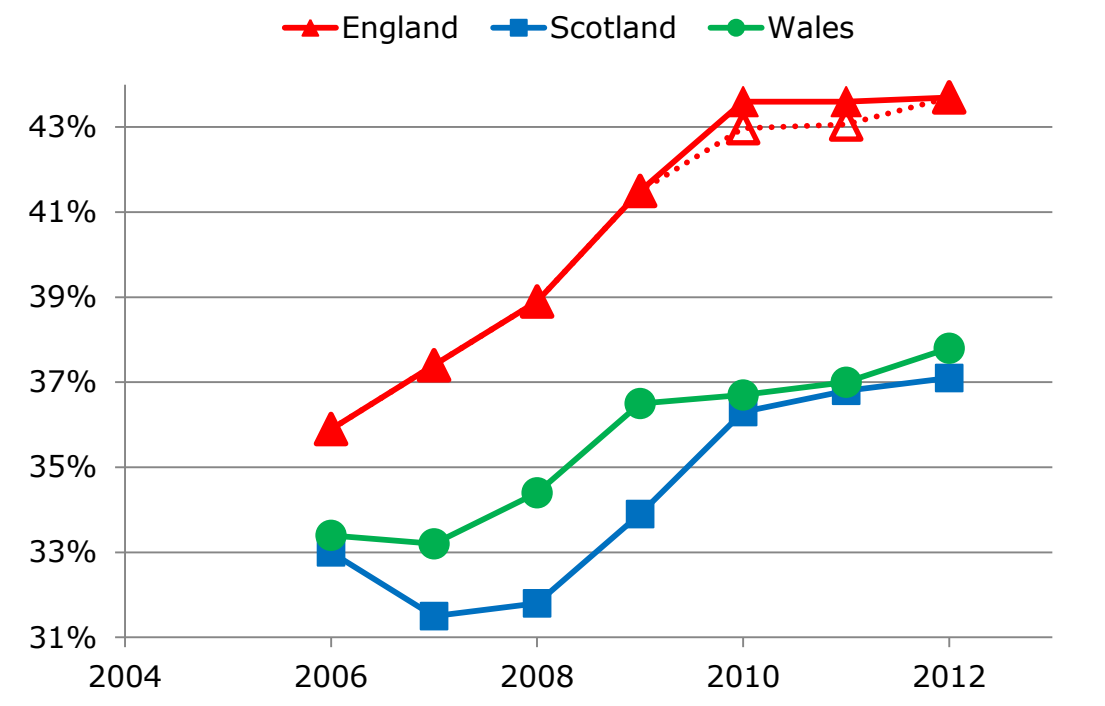


Figure 10 notes: Source - UCAS 2013a, figure 3. Dotted lines and unfilled markers show rates adjusted for fee rise introduction effects. These dotted lines assume all of the estimated 2012 and 2013 20 year old reductions had moved to 2011 and 2010 18 and 19 year old applications. See Annexes B1 and B2 for details.

88. The Independent Commission on Fees (ICOF, 2013) 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.

89. Unlike the plot of 18 year old application rates (figure 9), we do not see a sharp drop between those aged 18 in 2011 and those aged 18 in 2012. This is to be expected because the highs and lows cancel one another out. This is set out schematically below. Note that we do not described the changes in rates for those applying younger than 18; the numbers are small and can be ignored for these purposes.

Year cohort aged 18	18 application rate	19 application rate
2010	Normal	Normal
2011	High	Low
2012	Normal	Normal

90. The interpretations of 'high', 'low' and 'normal' differ depending on the assumptions made. UCAS have proposed that the trends in application rates seen up to 2011 would have continued had the White Paper changes not been made, whereas we are proposing that that the temporary effects created the appearance of the trend continuing to 2011. There are no difference in the interpretations for the cohort aged 18 in 2010, for later cohorts the differences are described below.

Year cohort aged 18	Assumptions	18 application rate	19 application rate
2011	Extrapolate trends	High - increase from 2010 following trend of increasing rates	Low – deterred by high fees
	Temporary effects	High - boosted by would be 19 year old entrants in 2012	Low – avoiding high fees by applying aged 18
2012	Extrapolate trends	Normal – new high fee normal lower than it would have been	Normal - new high fee normal lower than it would have been
	Temporary effects	Normal – similar to 2011 with adjustment for temporary lift	Normal – back to expected proportion of 19 year old rates

91. The calculation of cohort rates, though useful, does not of itself enable us decide which assumptions are more likely to be the case; we still have to look at the trends in the light of those assumptions and decide which are the most plausible.

92. We note that the 19 and younger age cohort rates have decelerated, for cohorts aged 18 from 2011 for Scotland, and from 2010 for Wales. We think that the implied reduction in demand following the assumption that cohort rates would have continued 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.

93. Our expectation is that the first-time aged 19 application rate in 2014 will be at least the same as seen in 2013, and, consequently there will be a growth in the cohort application rate similar to that found up to 2010.

Young application rates - conclusions

94. With data for a second year of the new arrangements we have a clearer picture, though it is still not possible to say with certainty what would have happened had the White Paper changes not been introduced. But even if we adopt what we view as a more pessimistic scenario, that previous growth trends would have continued without the White paper changes, the suggestion is that the growth in demand was interrupted, not stopped. The 18 year old application rate in 2013 was the second highest ever and only slightly below that for 2011, which was almost certainly boosted by the temporary effects of fee avoidance. The cohort application rate for the most recent cohort was the highest ever, and it looks likely that the rate for the next cohort will be higher still.

95. Is it safe to expect that the new arrangements will not have an impact on demand in the longer term? Most of the young people charged £9000 fees in 2012 and 2013 will have been 'on track' to university since before the changes were announced. Even though the 'introduction effects' are temporary, the 'change effects', or lack of effects, are not necessarily permanent. It may depend on the experiences of these first cohorts as they progress through higher education, to qualify or not to qualify, and then into employment. If they find the repayments burdensome, and the hopes of rewarding employment are not met, then, as their experiences are relayed, others may be put off. Any change in the repayment conditions which adversely affected those with loans would also reduce the confidence of the students that followed.

96. On the other hand, if there are, or are perceived to be, few alternatives to the higher education route to finding worthwhile employment, demand may hold up even if many former HE students do not do as well as they expected.

Other findings for young full-time applicants

97. Both the 2012 and 2013 UCAS reports contain a wealth of analysis apart from the application rates by country. Here we highlight what we think are the two most important findings.

Have increased fees reduced demand from disadvantaged groups

98. The evidence suggests that disadvantaged or low income groups have not been deterred, and, certainly, if they have, no more than other applicants. The trend, over a period of 10 years, of decreasing differences in application rates between disadvantaged and other applicants has continued following the fee increases in 2012. What is more, these relative gains by disadvantaged groups were also found for applications to the more selective universities, which tend to charge the highest fees.

Have increased fees determined where and what applicants choose to study?

99. In their 2012 study, UCAS found no substantial changes in the proportions of applicants planning to live at home, choosing courses with high historical graduate salaries, or choosing courses with lower fees. These analyses were not repeated in 2013, but they did report that applications to courses with the highest fee (£9000) had increased in 2013, in line with the increase in courses listed with the highest fee, which was consistent with their 2012 finding. It seems that applicants will not allow fee levels to compromise their choice of course.

100. The message that nothing has to be paid 'up front' and that a student loan 'is not like a normal debt' seems to have been accepted by young applicants. Most of those who have applied say that their choice of what and where, as well as whether, to study has not been affected by the fee rise, which is supported by UCAS's analysis for both 2012 and 2013 application cycles. When asked why the fee rise had not affected them, the most common answer was that you do not have to repay if you earn less than the threshold salary³⁷.

101. This does not mean that young applicants are unconcerned about fees. If applicants can get the HE experience they are looking for with a lower fee, they will, as we have seen, sometimes choose the lower fee. So, if the timing of entry can reduce the fee, then some students will change, in particular by entering in 2011 rather than 2012. The most striking illustration of this is the dip in deferrals in 2011, as we showed in our 2012 report. We find that some applicants will also minimise their fees by adapting to the changes in fee regulations where there are, or have been, different fees depending on where in the UK they studied. A good example of this is the decline in the application rate for students from Wales to institutions in Wales from 2010, after the incentive of lower fees in Wales was withdrawn. Young applicants will look for lower

³⁷ See UCAS (2013b) figure 23, page 15.

fees, but only in ways that will not compromise their search for the HE experience they are looking for.

Mature full-time undergraduate application rates

102. 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.

103. Figures 11a, 11b and 11c show 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. All these figures exclude applications to nursing courses, and in 2013 UCAS improved the method of identifying such courses, so that the figures for 2004 to 2012 are slightly different from what both UCAS and HEPI published in 2012. The figures for 2013, of course, were not available. The rates from Wales (figure 11c) are shown for completion though little can be deduced from them because the numbers are small and large random variations can be expected, especially for the older age groups

104. As we noted in our previous report, the growth in both English and Scottish 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. The growth in England 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, at least from the summer of 2009. This may account for the greater increase in application rates up to 2010 in England compared to Scotland.

Figure 11a: Relative mature application rates – England

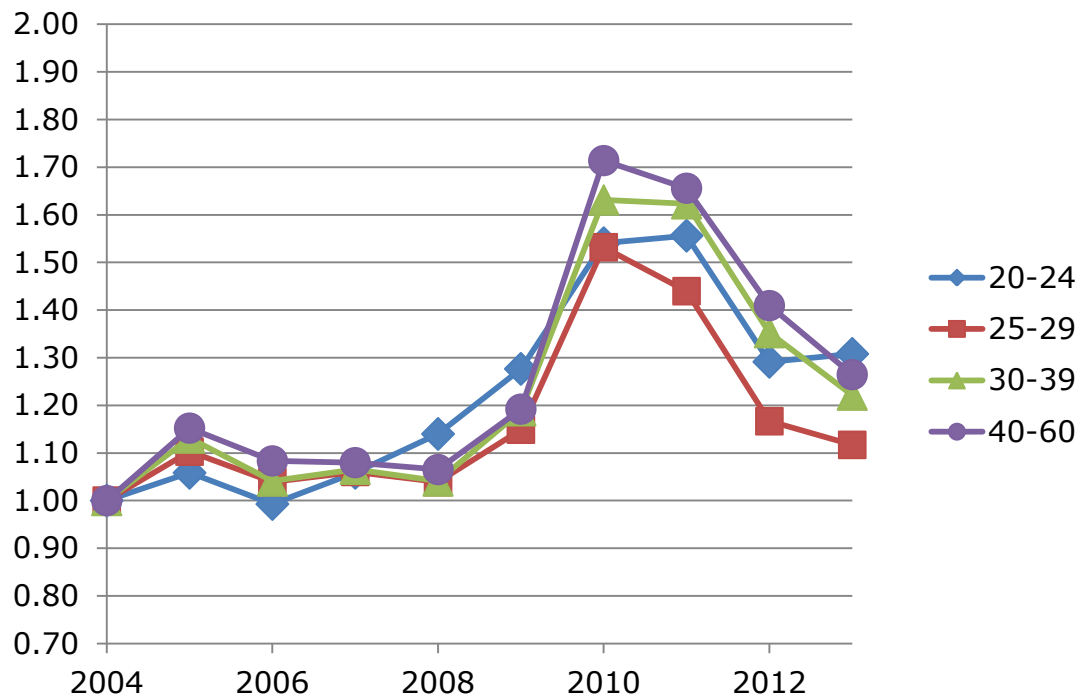


Figure 11b: Relative mature application rates – Scotland

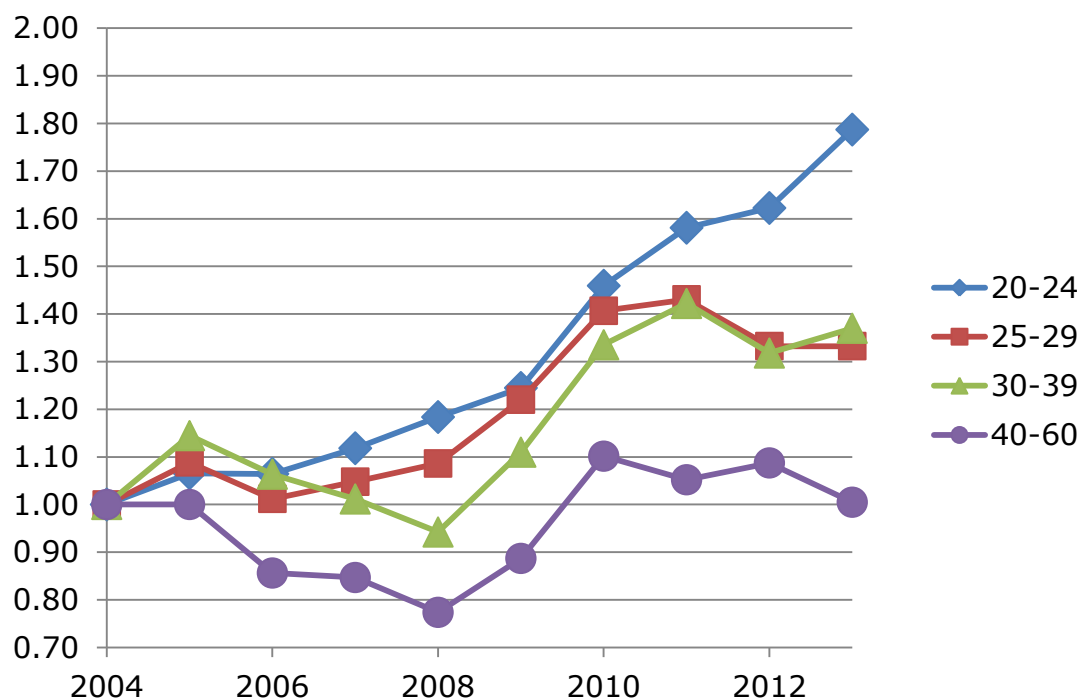


Figure 11c: Relative mature application rates – Wales

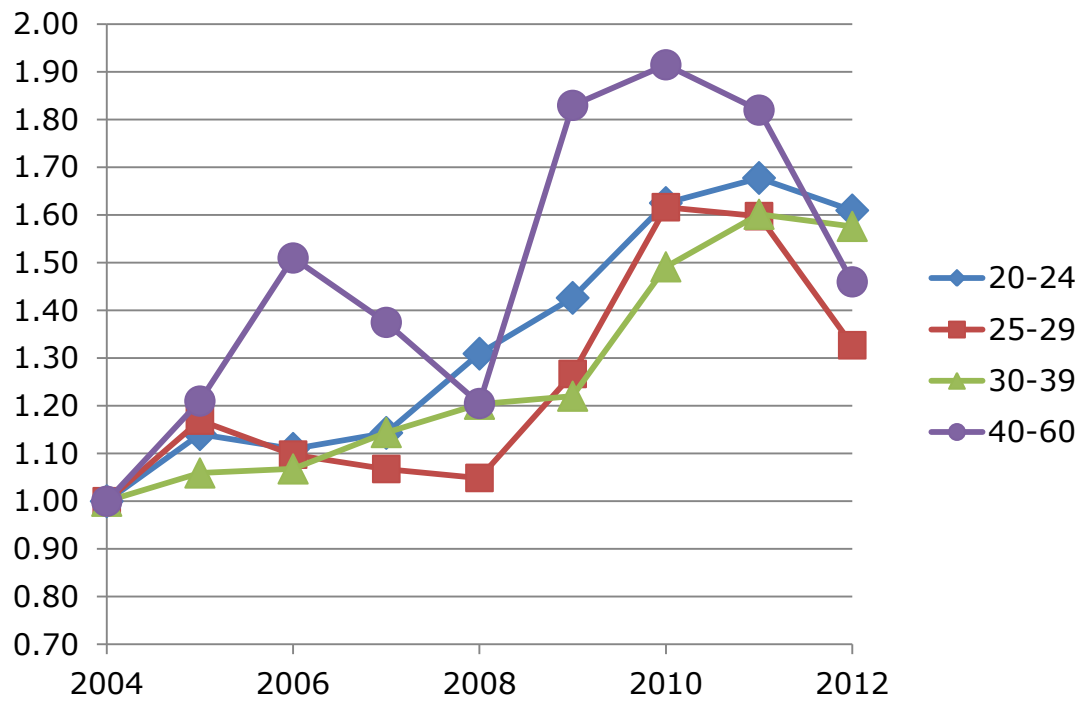


Figure 11a, 11b, 11c: - Source UCAS (2013a), figures 17, 19 and 20

Figure 12 Application rates for England relative to rates for Scotland

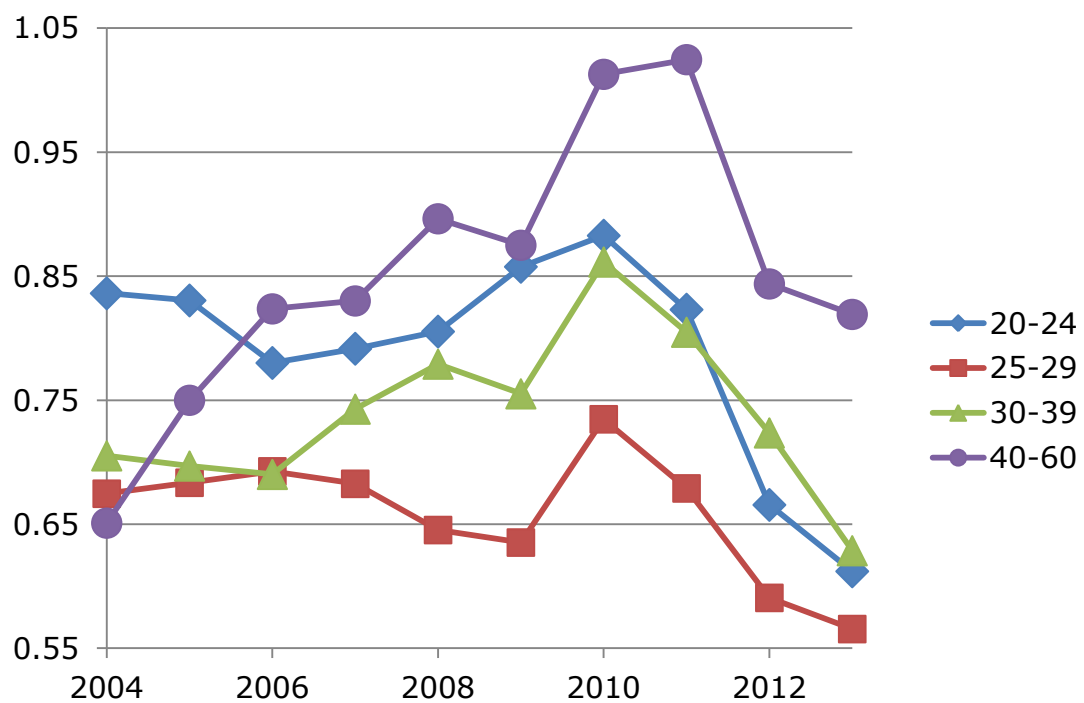


Figure 12: Source - UCAS (2013a), figures 17 and 19

105. The additional data for 2013 confirms the trends that were suggested with the data up to 2012, that is that since 2010 the growth in Scotland has more than compensated for the lower earlier growth. For England the large decreases between 2011 and 2012 have been followed by further decreases for those 25 and over, and a very small increase for the 20-24 year olds³⁸. Figure 12 shows the application rates for England relative to Scotland. It shows that the relative gains made by England up to 2010 have now been lost. This would be consistent with an extra boost in applications from England in 2010, resulting in reduced demand after the years that follow.

106. Apart from the 40 to 60 year old group, the rates for England relative to Scotland are at their lowest in 2013. This may reflect the impact of increased fees, though the absolute rates in England are still higher than they were before the rapid growth from 2008.

Mature application rates - conclusions

107. Across all age groups, there were big increases in application rates between 2008 and 2010 for mature entrants from England and Scotland. It is unclear what caused this increase, but it coincided with the financial crisis and a growth in unemployment and enforced part-time working. The biggest annual rise was seen for applicants from England between 2009 and 2010. It is possible that entry rates were boosted by an anticipation that fees would rise, even though this would be before the Browne Review had reported and the government had made its decisions.

108. Since then, while Scotland has consolidated, or in the case of 20-24 year olds, increased the gains made to 2010, England has seen decreases for those aged 25 and over. It is possible, if not likely, that the increased fees are at least part of the reason for these recent declining application rates.

Risks and Policies

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

³⁸ The patterns for individual ages 20, 21, 22, 23 and 24 are similar. See figure B3-1 at Annex B3.

110. Rather than follow the categories imposed by data sources, we consider five student stereotypes: 'Straight-from-School', 'Second Chance Student', 'Perpetual Student', 'Skill Getter' and 'Leisure Learner'. Not all students fit into these categories: some will have characteristics from several types, and some will be quite different, but nevertheless these groups do account for most undergraduate students.

'Straight from School'

111. These students enter university aged 18 or 19, or perhaps a bit older. They are overwhelmingly likely to study full-time³⁹.

112. The 'Straight from School's' had been in groups, like themselves, most of whom had looked forward to going to university for at least two years. For some, given their career ambitions, there was no choice; they had to go to university. For others, with other or no definite career plans, going to university was still the default. They had been persuaded by teachers and other advisers that the fees and maintenance costs were nothing to worry about; the increase in fees up to a maximum of £9000 did not put them off, and in selecting a course the fee was not a consideration. Repayment seemed a long way off, and the £21,000 repayment threshold sounded like a lot of money. Many applied for low cost subjects, but they had been sold the idea that £27,000 in fees to graduate is good value because it would lead to a better job. The application data, and the surveys that UCAS have carried out are consistent with this picture.

113. This group bring no downward pressure on fees, and they represent the majority of undergraduates at many universities, so it is not surprising that, as we predicted, over time universities have increased their fees towards £9,000. Nobody now believes that £9000 fees are 'exceptional' as ministers once claimed they would be.

114. As we noted previously, it is possible that the confidence of the young entrants could be undermined by poor outcomes, or by changes to their repayment terms. Such changes to the terms of student loans seem unlikely; they would be seen as a case of miss-selling, which would have wide repercussions. But we cannot be certain what future governments might do.

115. The most obvious risk is that the loans will turn out to cost government more than anticipated, something we have discussed elsewhere (Thompson et al, 2012a). But there are other, less obvious

³⁹ 6 per cent of UK domiciled entrants to undergraduate courses at UK HEIs aged 19 or younger studied part-time in 2011-12. Percentages calculated from numbers of entrants used to create table H of HESA's 'Sector level tables and charts', provided on request by HESA.

risks. In many cases the fee charged by universities may be considerably more than the cost to the university in providing a course, and certainly more than the university received before the White Paper changes, and the course, or rather the degree, is often sold as 'good value' simply for the future earnings it will bring. Such an emphasis seems likely to encourage an instrumentalist view, with young students seeing their studies as simply a way to get the graduate badge rather than real learning, which would diminish the experience for themselves and for their teachers. Finally, by accepting the increased fees, if not willingly, they may have pushed up fees for other students who are likely to be put off.

'Second Chance' and 'Perpetual' Students

116. These students enter university aged 25 and over, or perhaps a bit younger. Some study full-time, but most are part-time⁴⁰.

117. The Second Chances students are doing something different from most of their contemporaries. They may be making this decision as part of their career development - like the teaching assistant who takes a foundation degree - or they may have dropped out in the first year aged 18, and always wanted to go back and reclaim what they missed, or may even have qualified with an HND and now want to study further. Or maybe they have lost their job, or had to take a reduction in hours, and higher education seems the best way to improve their situation.

118. Because what they are considering is not the norm, they are more likely to think through the costs. And, especially if they are studying part-time, they will know what they are earning and many will know that they will have to start paying back the loans after about four years of study.

119. In these circumstances it seems likely that some potential students will be put off by the higher fees, and the evidence from full-time application rates shows that this seems to be the case. However, the experience of universities varies in this respect, and this picture of mature students as loan averse is not supported by evidence from the Open University⁴¹, whose market research suggested that loans would be attractive for most part-time students who were eligible. They also tell us that this has been borne out in their recruitment, with 80 per cent of their new students receiving loans, and that most of the recent decline was due to those who would not be eligible for loans. We have seen 31

⁴⁰ 80 per cent of UK domiciled entrants to undergraduate courses at UK HEIs aged 25 and older studied part-time in 2011-12. Many of these will be on short or low intensity courses, but even if we limit the population to entrants to first degree courses, we find that 58 per cent are part-time. Percentages calculated from numbers of entrants used to create table H of HESA's 'Sector level tables and charts', provided on request by HESA.

⁴¹ Information provided to HEPI by the Open University.

thousand students take out a part-time loan for 2012-13. Some of these will be young entrants, but it seems likely that the majority will be mature students.

120. If we assume that degree programmes will have a higher proportion of 'eligible for a loan' students than the courses leading to 'other' qualifications or credits, then the Open University's findings are consistent with what have seen in the entrant trends for degree programmes of both the Open University and Birkbeck College (see figures 4 and 5). This still leaves a question mark over to what extent the fall in 'non-eligible study' and the stability of 'eligible' study is due to entrants modifying their course choice so as to be eligible for a loan.

121. Other parts of the sector have seen large decreases in the number of part-time students on degree programmes which might be expected to recruit 'eligible' students. But this may be due to supply. Whatever the changes in demand, supply changes can have a bigger impact on mature students because they are less mobile, so should their local university close the course they want, their alternatives may be limited. The Open University provides opportunities for all, wherever they live, but they will not always be able to offer a course in the speciality the potential student is looking for.

122. 'Perpetual student' is a derogatory term, but it is one that a graduate studying for a second undergraduate degree may hear. However, there are many examples of people who have had to graduate twice to get what they need to succeed. Perpetual students will be ineligible for government loans. We will have to see if, as many expect, a large part of the decline in part-time entrants in 2012-13 is made up of these students.

123. For these mature students we have a problem now, not a risk for the future. Most would agree that if demand from potential second chance graduates has been reduced, there are economic costs to the individuals and to society. There are implications for social mobility⁴². The case for the perpetual student is harder to make, but many would argue that for those with the motivation to study again, it would be better if they were able to. Also, the higher education experience, particularly in the humanities and social sciences, will be diminished for

⁴² It is often assumed that mature entry contributes to widening participation, but this is difficult to test. Using the Census Longitudinal Study, Purcell concluded that, 'there is little evidence here to support the notion that those from the lower social backgrounds catch up with the non-manual classes through later participation in higher education' (Purcell et al, 2006). However, this conclusion was based on the observation that the percentage point increase in graduates through mature entry was smaller for those lower social backgrounds. But to expect otherwise, given the very large differences in graduation rates, seems to us to be unduly optimistic. If we look at the proportional increases in graduation rates from mature entry, this route did contribute to widening participation.

young students if there are no mature students with them, whether these students are graduates or not.

Skill Getter and the Leisure learner

124. The Skill Getters and Leisure Learners are mature part-time students: often they are graduates. They are uninterested in gaining a qualification. Their course is short, or of low intensity, and either way only leads to a small number of credits, if any.

125. The Skill Getters have been sent on a course by their employers, who pay the fee. The fee level is not a concern, within reason. Of greater importance is that their course of study is short, sharp, relevant and up-to-date. There is no need for accreditation⁴³. As from 2012-13 there will be no HEFCE grant for these courses, and there is no possibility of a loan. In many cases this will have been the case even before the White Paper changes. The courses come under the heading of 'Continuing Professional Development' (CPD).

126. Unlike other part-time provision CPD is not in decline, though for individual universities demand can be very volatile. Unaccredited CPD does not feature in most statistical summaries, and this may distort our picture of what is happening.

127. Leisure learner is studying for a love of learning. This, an economist might argue, is education as consumption, and so there is no case for support from public funds. But should universities be automatically aligning their fees with full-time provision on a pro-rata basis, or scrapping the courses altogether, without considering the alternatives, like charging a fee to cover the marginal costs? Is there a public interest?

128. We would argue there is. The courses that the Leisure Learner takes may also act as taster for someone without HE qualifications, which leads them to study more intensively for a degree. Also, in practice the distinction between learning for the love of it and learning for a career may not be as clear cut as first appears. The students on a 10 credit evening course on the history of French literature were nearly all graduates, most with no interest other than the love of the subject, but two taught French in schools and no doubt the course helped to maintain their interest in their subject which in turn would benefit their pupils. The course has now closed, but had it continued it would cost £750 were the university to align the fees to full-time study. And, of course, unlike the skill getters, these students would be paying the fee themselves.

⁴³ For a summary of employer demand see Pollard et al (2012), pages 166 to 171.

129. The risk for these courses is that institutions will either close them, because they are not generating enough income, or raise the fees to the equivalent of full-time fees and thereby kill off demand.

Policy Options

130. 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.

131. Many have proposed that part-time loans should be increased and made available to more students, by loosening the conditions for receiving a tuition fee loan and even extending loans to cover maintenance. The evidence provided by the Open University would suggest that making fee loans more widely available might increase demand, at least for those potential students of the Open University. We will have a clearer idea as to whether this is the case more widely when we have the results of further analysis we have proposed. But that still leaves the issue of the possible, even likely, reduction in supply. Again we will have a better idea when the further analysis is completed.

132. Suppose we find that, like young entrants, part-time mature entrants are not put off by high fees if they are not forced to pay 'up-front' costs. There is then a prima facie case for extending loans. However, estimating the cost would be very difficult. The evidence from the 2012 loan take up would give an indication of the loan take up if there were less restrictive eligibility rules, but the estimates of the RAB charge (the percentage part of the loan that government would subsidise) vary from -7.5 per cent (London Economics, 2013) to 65 per cent⁴⁴. Also, with the severe reductions in welfare payments, there would be a risk that maintenance loans could be sought purely to supplement income.

⁴⁴ This is the estimate used in the White paper costings (Thompson et al, 2011).

133. Alternatively, we might find that even for those eligible for loans, numbers have decreased, at least in some parts of the sector, in which case extending loans would not stop the decline. Either way, extending loans is problematic, either because this would not be effective, or because of the uncertainties around cost. We think it is therefore worth exploring whether fees could be reduced, with little or no net additional government expenditure.

The Universities' response

134. 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 tempting⁴⁵.

135. The idea of some wider social obligation to provide, say, part-time courses at affordable cost, risks being lost; possibly because holding down these 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.

136. 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.

137. 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

⁴⁵ The income per student is significantly greater than universities received previously. See Thompson et al (2011), table 7, page 50.

£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.

138. 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.

139. 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, they are likely to be felt most in part-time higher education.

Data sources

UCAS provide tables with the values for all the figures in the application analysis report (UCAS, 2013). These can be downloaded from a link at the bottom of the page.

HESA provided some of the counts of entrants.

HEFCE provided the numbers of home part-time new entrants extracted from the HESES and HEIFES surveys 6 August 2013. A full description is available at Annex A1 HEFCE also provided data from the HE-BCI survey and counts of entrants from the HESA record.

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