Higher education supply and demand to 2010

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Recent history of participation in higher education

1. This paper discusses higher education (HE) supply and demand to 2010: the supply of places in higher education institutions (HEIs) and the demand for higher education from students. It looks at supply and demand in terms of participation — and young participation in particular — and concludes by drawing implications for the Initial Entry Rate (IER) from its analysis of participation.

2. The participation rate in HE from 1994-95 to 1999-2000 was completely flat. However, indications are that since 1999-2000 participation may have picked up. The provisional Age Participation Index (API) figure for 2001-02, which is a measure of participation for 18 to 21 year-olds, is 35 per cent. This suggests an increase of 2 percentage points from 2000-01 and the first significant increase since the mid-1990s.

3. Recent API figures also report a further increase in the gap between male and female participation rates. Participation varies to an even greater extent across socio-economic classifications, and recent reports have also demonstrated the significant variation by region. The high participation rates of females, of the highest social class groups, and of the South East and London, all suggest the potential for a large increase in average participation if the lower participating groups increase their participation rates towards those of the highest.

Recent history of HE student numbers

4. The number of home and EC students[1] in HE has increased gradually since the mid-1990s followed by a more significant increase in 2001-02. A large proportion of the growth has taken place among full-time undergraduates, which was quite flat from 1997–98 to 2000–01. In the past two years (2001-02 and 2002-03) numbers have started to increase again. The growth in full-time undergraduates is in the region of 13,000 in 2001-02 and 20,000 in 2002-03. This is growth in all-year numbers, so new growth is about 10,000 each year for the past two years.

5. The number of part-time undergraduate students has increased very slightly since the mid-1990s. The vast majority of part-time students are mature and this proportion has remained constant since the mid-1990s. The number of mature, first-year students (undergraduate and postgraduate) slightly increased in 2001-02. Mature

[1] All numbers refer to home and EC students. For the purpose of this report, EC and EU are interchangeable because they refer to the same list of countries at present.

students are far more likely to enter with vocational qualifications, through access courses or with other qualifications, than young full-time undergraduates.

6. The total number of taught postgraduates has increased slightly since the mid-1990s. The majority of growth has taken place among young full-time postgraduates. The number of postgraduate research students has declined slightly since the mid-1990s, mostly a decline in young postgraduate research students.

7. Total HND/HNC numbers have declined slightly since the mid-1990s. Edexcel figures (excluding international students) show that from 1996-97 to 2001-02 total HND/HNC registrations declined by 5.3 per cent (5.2 per cent for HNDs and 5.8 per cent for HNCs). HESA and ISR records[2] show a total of about 100,000 HND/HNC students in 2001-02. Foundation degree (FD) numbers in 2001-02 were between 3,000 and 4,000 and the estimated numbers for this academic year are between 12,000 and 13,000. This does not tell us a great deal because foundation degrees are so new and their numbers so small, so far.

Future projections of HE student numbers and participation rates

8. Future demand for HE is extremely difficult to project accurately, especially as the impact of the Qualifying for Success (QfS) reforms[3] on demand for HE is not known yet. The factors that influence student demand for HE are population trends, educational attainment of young people, availability of alternative routes into HE, economic factors (including the employment market), student finance arrangements, and policy initiatives.

9. The projected increase in the young population to 2010 will almost certainly result in demand for about 150,000 additional undergraduate places by that time. Whether this increase will be supplemented as a result of an increase in the HE participation rate is harder to predict.

10. Although other factors were involved, the rapid expansion of HE in the early 1990s can largely be explained by changes in the educational attainment of young people at the time. The increase in participation was so rapid that HE numbers grew despite a decline in the young population during this period. GCSE reforms in 1988 fuelled the rapid increase in numbers of pupils staying on at school and college, and, subsequently, the increased student numbers in HE of the late 1980s and early 1990s.

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[2] Higher Education Statistics Agency (HESA) and the further education Individual Student Record (ISR) data have been used. Total numbers referred to will not correspond with published HESA/ISR figures because these figures have undergone a detailed process of checking individual records in order to eliminate any double counting.

[3] Qualifying for Success reforms were introduced in 2000. They have introduced vocational (VCE) AS, A-levels, and Double Awards, and Advanced GNVQs will no longer exist from 2002-03. Students are expected to study four Advanced Subsidiaries in their first year which equates to two full A-level passes in the tariff system, before progressing three of them on to full A levels (A2s) in their second year. The tariff/point system has also changed.

11. The impact that the recent QfS reforms will have on demand for HE is the key question in projecting participation rates to 2010. The change in the qualification itself means we cannot assume that new A-level-qualified 18 year-olds will act in the same way as previous A-level-qualified 18 year-olds. The big question is whether the reforms will reduce the very high propensity of A-level students to enter HE (currently around 90 per cent). It is hoped that new A-level students will have a propensity to enter HE closer to that of traditional A-level students than Advanced GNVQ students, but it is too early to know this for certain because these reforms have not yet bedded down.

12. Participation rates were flat in the mid-1990s to late-1990s, but the provisional API figure for 2001-02 of 35 per cent suggests that participation has risen very recently and this conclusion is confirmed by a recent increase in HE numbers. Even though statistics relating to A-level qualifications before and after the QfS reforms are not strictly comparable, as the reforms introduced a new qualification structure and caused a break in the time series, the indications are that this increase has had a knock-on effect on participation in HE.

13. Whether we have reached a new level of participation in HE that will now flatten off, or whether this is the beginning of a new growth trend cannot be known for certain from just two years of data. We must rely on projections of improvements in attainment within schools and an assessment of the likely impact of policies[4].

14. If targets for attainment in schools are met, this suggests that the proportion of 18 year-olds with two or more A-levels will continue to increase from its current rate of
40 per cent. The precise improvement that will be achieved by 2010 is still uncertain but, in light of recent increases, it seems at least possible that the proportion of 18 year-olds with two or more A-level passes will either reach or will nearly reach 46 per cent by 2010.

15. If new A-level students continue to participate in HE at the same rate as traditional A-level students, then, all other things being equal, this would imply an API of more than 40 per cent, which in turn would imply approximately 100,000 additional HE students. On the other hand, if the recent increase proves to be a one-off, then this implies an increase of just 30,000 students. Therefore, taking population increases into account, the most likely scenario is that the number of undergraduate HE students will increase by between 180,000 and 250,000 by the end of the decade.

16. Although some changes are expected in the mature population, mature student numbers tend to be reasonably stable and there is no major external change projected that will change demand from this group significantly. The most likely scenario to

[4] Because of the uncertainty of the impact of new policies such as EMAs and Connexions on demand for HE specifically, and because of their focus on lower-achieving students, this note has assumed a very limited impact on HE numbers from these policies when considering the most likely scenario to 2010.

2010 is a slight increase in numbers mostly owing to population projections of an increase in 22 to 30 year-olds.

17. In terms of postgraduate students, the gradual increase in young full-time postgraduates is likely to continue following the increase in the number of graduates. Higher fees at the undergraduate level could reduce the rate of growth, but this is as yet an unknown factor. The number of mature part-time postgraduates is likely to continue to increase, again because of the increasing proportion of graduates in the job market. Postgraduate research students are likely either to increase or decrease in line with projected increases or decreases in the research funding available.

18. Based on existing trends and projections of demand, it is likely that the propensity of graduates to take postgraduate qualifications will remain roughly constant in the future. Therefore, growth of postgraduates pro rata to the growth of undergraduate numbers implies that total postgraduate numbers are likely to increase in the region of 40,000 to 50,000 by 2010.

19. NHS reports project a requirement of one-third more nurses over the next 20 years, so we can expect the number of nursing and healthcare students to continue to increase. Open University (OU) students and PGCE students are also likely to continue to increase to 2010. The number of EC students is harder to project because it is sensitive to policies within other countries.

20. In terms of the type of undergraduate courses demanded, it is likely that the educational profile of school leavers demanding HE will be very similar to the past, and, therefore, it is likely that the sort of courses demanded will be similar — at least from that part of the expansion that results from an increase in the population. The proportion of traditional young, full-time undergraduates is likely to increase because of the growth in the number of HE students that will be young A-level students. The strength of demand for full-time undergraduate honours degrees from this group is well established.

21. The type of HE demanded by any additional students resulting from an increase in participation rate in HE raises the possibility of change — this is demand from a new cohort of students. The White Paper (DfES [2003]) stated a policy aim for the bulk of this expansion to be in foundation degrees. Looking at the declining trend in HND/HNC numbers as a predictor of demand for FDs does not account for the fact that FDs are a new product. However, it does tell us that any attempt to increase the number of FDs significantly will have to reverse recent trends, which show a gradual decline in demand for sub-degree qualifications. So far, it is not clear that there is major demand for this type of degree and this type of qualification either from students or employers. This does not mean that FDs cannot be successful, but it does meant that to be successful, policies will have to change existing patterns of demand.

Policy impact on future projections

22. History tells us that Government HE policy targets have had a limited impact on demand for HE in terms of both the total number of students and the type of HE demanded. Demand did not bear much relation to Government targets during the 1990s. The separate targets for different modes and levels have proved particularly difficult to achieve. The difference between the Government's targets and actual numbers is not surprising. For the most part, Government action at the HE level has affected the supply of places. Quite different, and much less controllable, factors affect student demand. The most important of these is the number obtaining A-level or A-level-equivalent entry qualifications, and it is in this area that Government, by introducing policies to increase this number, can have the greatest effect on demand for HE.

23. It could be argued that if no other places are made available, students are obliged to take whatever mode, level or type of HE place that is provided, wherever it is provided. However, recent history demonstrates that this has not been the case. Either additional places have been made available by HEIs at the mode and level demanded by students, or students have chosen not to enter HE at all. Either way, this experience suggests that honours degrees and sub-degrees are two distinct products that are imperfectly substitutable — especially when offered at different types of institution. There are important lessons here for the future for any Government that might wish to try to steer demand: the supply of places does not dictate demand for HE.

24. The evidence from this paper suggests that the overall number of HE participants to 2010 will largely be determined by population increases and the attainment of young people in schools, especially the proportion of 18 year-olds qualifying with two or more A-level passes. The extent to which higher education policies, particularly supply-side mechanisms, can impact overall levels of demand has been shown to be limited.

25. The best estimate available is that demand for undergraduate HE places will rise by between 180,000 and 250,000 by the end of the decade. Of these, 150,000 will arise from demographic growth, and the remainder as a result of increases in participation. Whether demand turns out nearer 180,000 or 250,000 in reality depends on whether the growth in A-levels seen in the past two years proves to be a one-off increase or the beginning of a trend. If it is a trend that accelerates, of course, additional demand could be even higher than 250,000. Depending on the growth of undergraduate demand, there could be increased demand for up to 50,000 more postgraduate places by the end of the decade.

26. If increased undergraduate demand proves to be as high as 250,000, then this alone will bring the IER close to the Government's 50 per cent target, without any further action on the part of the Government. There would be no need for a policy target of
50 per cent as natural demand would ensure achievement of this figure.

27. The question remains whether the Government should be prepared to accommodate this increased demand, and, if so, whether it should seek to do so by encouraging the take-up of any particular form of provision. It would be unprecedented, since the Robbins Principle was established, for the Government explicitly to intend not to meet demand for HE from well qualified people (it should be borne in mind that the increased demand is anticipated to be from pupils with at least two A-levels). Nevertheless, it would be legitimate for the Government to attempt to funnel some, or even the majority, of the increased demand into foundation degrees or into FE colleges. However, to do so by constraining supply to a particular form of provision, in the absence of student demand for that provision, might be tantamount to refusing HE places to well qualified students.

28. If first-degree places are available in universities then history suggests that students will take these rather than foundation degrees, whether in FE colleges or elsewhere. But if first-degree places are limited in favour of foundation degrees (in the absence of greatly increased demand for foundation degrees) then there is a real likelihood of unsatisfied demand. To take supply-side action in this way could result in a reduced IER, unless effective and successful demand-side action was taken first. Demand is the key factor. Without genuine demand for foundation degrees, it is much less likely that supply-side action will have the desired effect.

29. For such a policy to succeed, it would be essential to boost demand for foundation degrees first, among students and employers. If FDs can be clearly defined and effectively developed, with institutions and the help of employers, to meet regionally specific skill needs and are well promoted among students, institutions, and employers, then this new qualification could be very successful. If such a campaign were successful, and particularly if employers show that they will reward foundation degree graduates with an appropriate salary premium, then it would be safe to follow this with a supply-side policy.