Demand for Higher Education to 2035

Rachel Hewitt

Higher Education Policy Institute

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About the author

Rachel Hewitt joined HEPI as Director of Policy and Advocacy in November 2018 and has written about a wide variety of HE policy issues, including graduate employability, the financial sustainability of universities and measuring student wellbeing. Prior to joining HEPI, Rachel held a number of roles at the Higher Education Statistics Agency (HESA), including leading the review of data on graduate destinations and designed and set up the new *Graduate Outcomes* survey.

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Executive summary

It is well established that in recent years, higher education has suffered from an English demographic dip, due to low numbers of 18-year olds in the population. As HEPI has established in previous reports, this trend is due to change from 2021 onwards, where we see the number of 18-year olds increasing again. However, this report shows for the first time that this trend reaches its peak in 2030 and from there begins to decline. Scotland and Northern Ireland are currently at the lowest point of demographic figures in recent years and the number of 18-year olds will start to increase from 2021. However, like England, this will not be an on-going trend. In fact, they do not reach the equivalent peak as England, and start to decline from 2026.

However, decreasing demographic figures by 2035 do not necessarily equal declining demand for higher education. The participation rate also plays a significant role in the demand for higher education. Across England, Scotland and Northern Ireland (Welsh participation data is not available), participation in higher education has risen continuously in recent years.

If we were to look purely at the demographic changes, between 2017 (the latest year for which participation data is available) and 2035, there would only be small increases in England, of around 40,000 students and a decrease of around 18,000 students in Scotland.

However, taking into account the projected increases in participation, these figures would drastically increase in England, where around 358,000 more student places would be

needed. Decreases would still be seen in Scotland but these would be limited to around 300 student places. Northern Irish figures are not calculated due to the differences in their method of calculating participation rates.

By looking at regional differences in England, it is clear which parts of the country contribute most to the increases in England. London sees both the greatest growth in terms of demographics and also has the highest levels of participation in England. This means universities in London and the South East, who take the greatest number of students from London, are set to see the greatest increase in places required.

These projections are particularly important in light of the recent conversations about reintroducing a student number cap in England. While the stop-gap number cap brought in for the 2020/21 academic year was removed, following the debacle around administering A-Levels in 2020, there are those in Government who would like to see its return longer-term. The projections in this report clearly show that a number cap would put limits on a growing group who want to go into higher education.

The regional analysis also provides evidence for the unequal distribution of demand. However, assuming the demographic trends align with continued growth in participation, the projections show that all areas of the country would see demand for more places. This suggests that there would be risks in the long-term of Government letting any vulnerable institutions 'go bust'.

While there are a number of known factors that could impact these projections, they are likely to increase these figures rather than decrease. If the Office for Students' access and participation targets are to be met, we will need to see far greater numbers of disadvantaged students entering higher education, which could lead to faster growth of demand rates than anticipated here. Equally, the recession caused by the pandemic could lead to larger growth in higher education, as school-leavers seek higher education to avoid entering the labour market at such a challenging time.

Introduction

It was only in 2018 that HEPI published its last paper looking at the demand for higher education to 2030. Yet, in that time, much has changed. We have more clarity about what Brexit means but we are still not sure of exactly how this will play out for higher education, including how it will impact international student numbers.[1]

The impact of COVID-19 on universities has been radical, with a rapid move to online teaching and universities being left to make best guesses about what might happen to their student population as the long-term impact of the pandemic plays out.

The previous HEPI report, *Demand for Higher Education to 2030*, highlighted that 300,000 more places in higher education would be needed in England by 2030, if we were to keep up with increasing demand combined with an increased 18-year old population.[2] In this report we explore how the demographics of the 18-year old population will change beyond 2030 and the impact that participation levels will have on demand for higher education. We will also look beyond England, to see how similar trends are changing across the UK.

As well as exploring the change in demand across the UK, this report will also set out how demand might be spread across England. While the figures from the last report show significant rises, we know that the distribution of students across the country is not evenly spread. Equally, the rises seen in the last report are not sustained once we get beyond 2030. From this point onwards, we see a demographic dip in the 18-year old population. However, as shown below, continued rises in participation are expected to abate the impact of this.

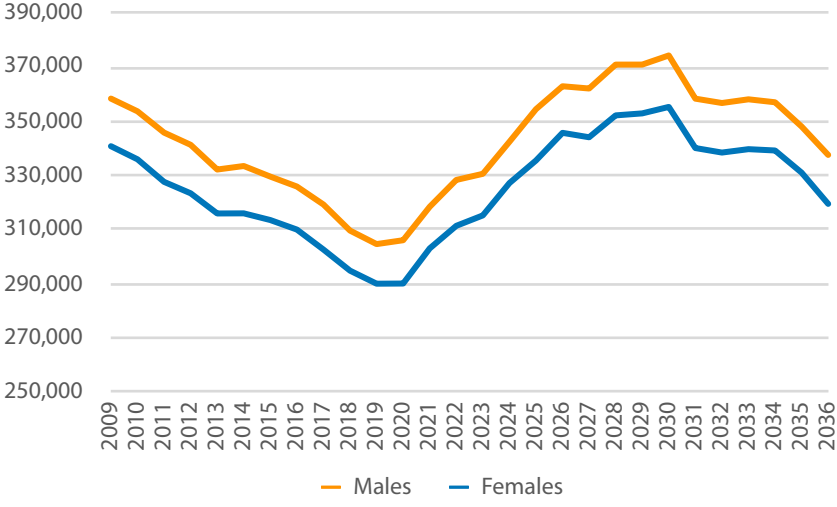
It should be noted that this analysis cannot account for the entirety of the student population. By looking at the young population, it excludes the mature student population (although this is a relatively small group). It can only take account of home students and not students from the EU or overseas (although this has been explored elsewhere).[3] Due to a lack of data, it cannot take into account the changes seen in Welsh participation rates. However, it can demonstrate the likely change in demand that is going to be seen across England, Scotland and Northern Ireland among most home students.

1. Demography

The demand for higher education is largely dictated by the size of the young population. This is even more pronounced than it used to be, due to the decline in mature learners since 2010. While higher education is not only the pursuit of young people, HESA data show that in 2018/19 87% of undergraduate students were under 30 and 80% were under 25.[4]

This means that changes to the young population have significant impacts on the higher education sector. This has been especially felt in recent years, when declining numbers of 18-year olds in the population have led to higher education institutions being in fierce competition for the students available. Figure 1 shows how demographic trends will play out in the future.

Figure 1: English and Welsh 18-year old population 2009-2036



Source: Office for National Statistics (ONS) - Births in England and Wales[5]

Much of our focus in the last HEPI report on demand was on the increasing population figures up until 2030. These show the trend of low numbers of 18-year olds we are currently experiencing is soon going to change and universities and policymakers will need to prepare for the increased demand this will bring.

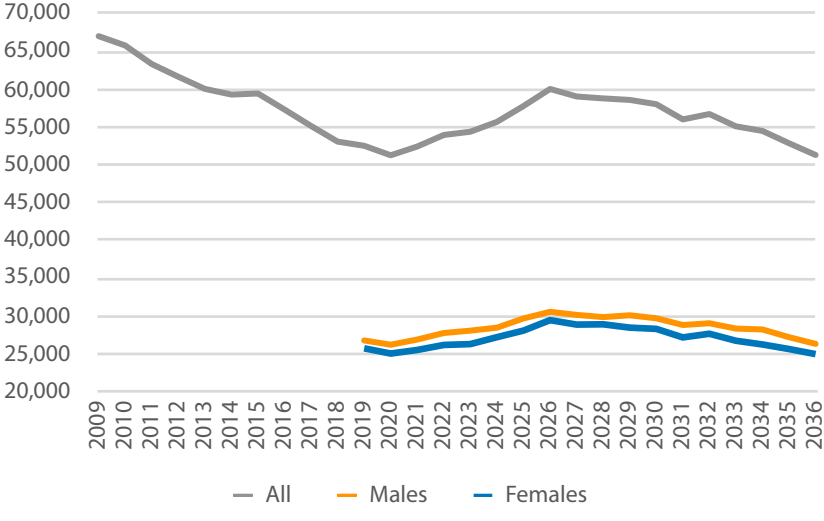
However, now we can see further ahead, it is clear the peak of increased population of young people is only temporary. By 2036, numbers will not have fallen as low as in 2019, but they are on a steep decline and sit at an equivalent level to 2012 and 2023.

We can be confident in these trends, as those who will be 18 in 2035 have already been born and we are seeing these trends work their way through the earlier education system already. For example school numbers, which were expanding for a number of years, are starting to contract again.

As Figure 2 shows, the demographic changes in Scotland fall largely in line with those in England and Wales. However, the demographics do not reach the same peak around 2030 and start to decline much earlier, following a peak in 2026. This means, unlike in England and Wales, the Scottish 18-year old population never reaches the peak of 2009. Male and female data is only included from 2019, as birth data by sex is not available before this point.

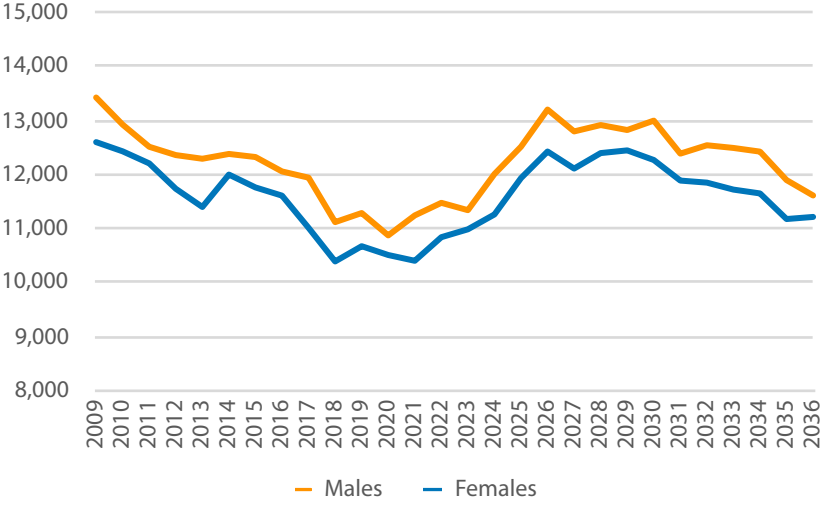
In Northern Ireland, the demographic changes are also less pronounced than in England. Between 2018 and 2021 there is a lull in the 18-year old population, which rises to a peak in 2026. However, this also does not exceed the 18-year old population of 2009.

Figure 2: Scotland 18-year old population 2009-2036



Source: National Records of Scotland - Vital Events: Births[6]

Figure 3: Northern Ireland 18-year old population 2009-2036

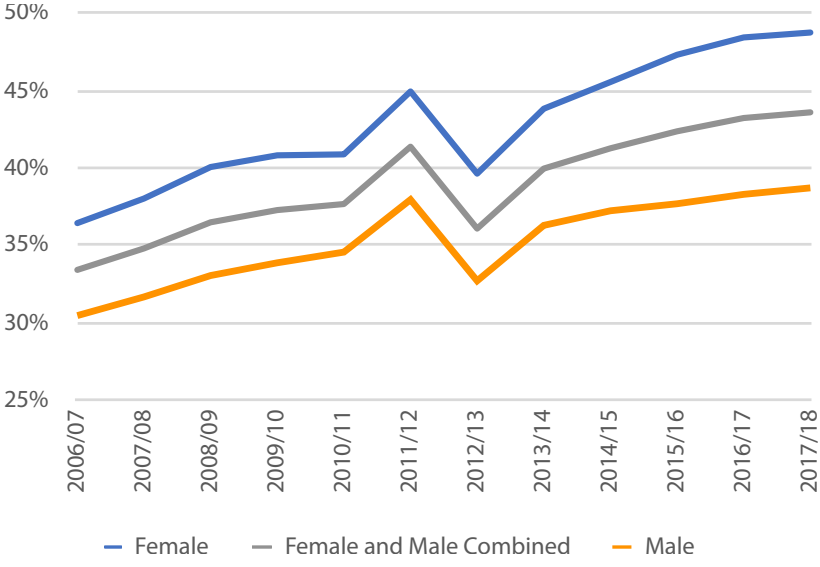


Source: Northern Ireland Statistics and Research Agency: Birth Statistics[7]

2. Participation

Participation is the other factor that has a significant impact on the demand for higher education. Participation levels in England have been steadily increasing, excluding a rise and then equal decline when fewer students took years out before tuition fees were increased. Figure 3 shows the growth in the English Higher Education Initial Participation Rate for the population aged 20 and under (the young participation rate).

Figure 4: English Higher Education full-time and part-time initial participation rates (aged 20 and under)



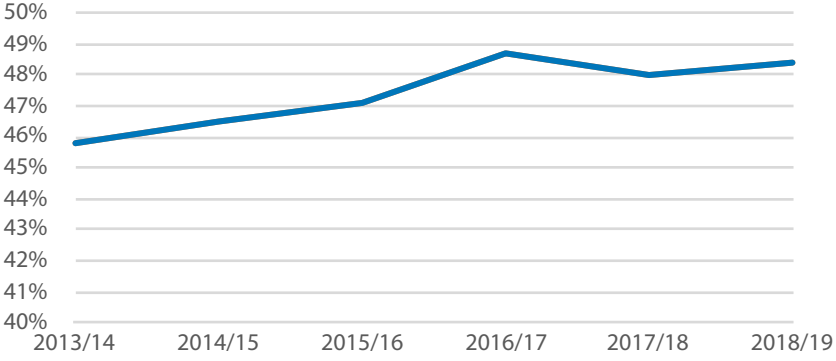
Source: Department for Education Participation Rates in Higher Education: 2006 to 2018, 26 September 2019

What is the Higher Education Initial Participation Rate?

The Higher Education Initial Participation Rate (HEIPR) is an estimate of the likelihood of a young person participating in Higher Education by age 30, based on current participation rates. It is not a measure of participation by particular entry cohorts, risking misinterpretation in its analysis.[8] Therefore, while it provides the best estimate of participation rates, some have criticised it for over-estimating levels of participation.[9] In places, this report refers to both the HEIPR for students under age 30, and the young participation rate for those aged 20 and under.

For Scotland, data on the Higher Education Initial Participation Rate is only available over a five-year period. In this time, we can see that participation has risen fairly consistently. The overall rate of growth in participation has been slower than in England but starting from a higher base and Scotland continues to have higher levels of participation than England.

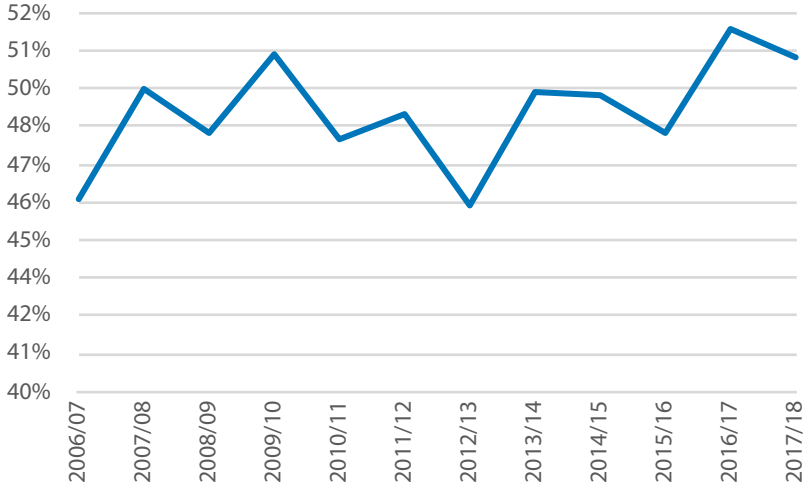
Figure 5: Scottish Higher Education full-time and part-time initial participation rates (aged 20 and under)



Source: Scottish Funding Council (SFC) HE Students and Qualifiers at Scottish Institution, 31 March 2020

Northern Ireland uses a slightly different measure to the English and Scottish Higher Education Initial Participation Rates. The Northern Irish age participation index only includes full-time students and only goes up to 21. While participation levels follow a less stable trajectory in Northern Ireland, participation levels are higher than in Scotland and England and continue to rise.

Figure 6: Northern Irish Higher Education full-time age participation index (aged 21 and younger)

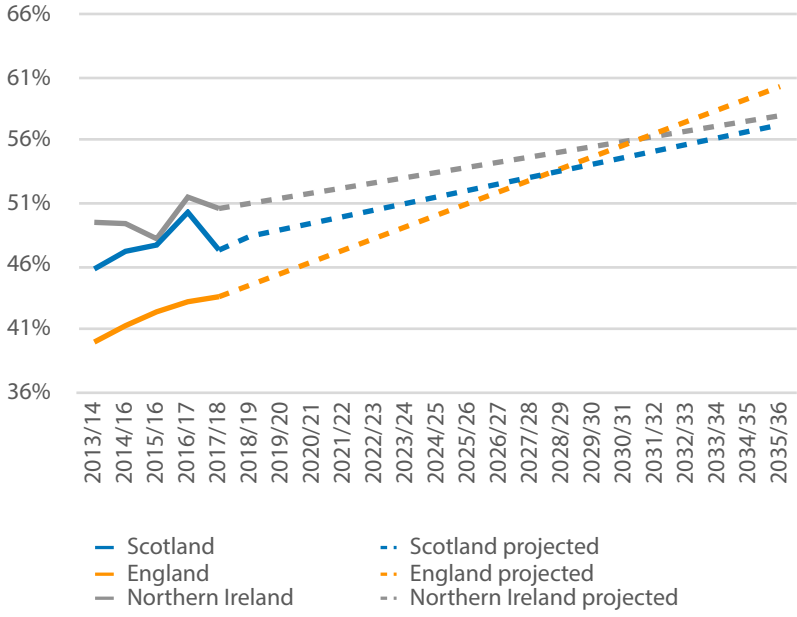


Source: Northern Ireland Department for the Economy - Higher Education Age Participation Index for Northern Ireland, 27 June 2019

While Figures 4, 5 and 6 look at participation levels in Scotland, England and Northern Ireland over different time periods, Figure 7 compares the participation rates between the three countries across the time period for which data is available and the projected participation levels to 2035. The projected

participation levels are calculated based on participation annually rising in line with recent participation levels.

Figure 7: Comparison of Scottish and English Higher Education full-time and part-time initial participation rates (aged 20 and under) and Northern Irish Age Participation Index (aged 21 and under)



It is notable that participation levels in Scotland and Northern Ireland are currently higher than in England, despite student number caps being in place in both countries. However, the rate of increase is quicker for England than Scotland or Northern Ireland, meaning English participation levels for those aged 20 and under are projected to overtake those in Scotland by 2028/29 and those in Northern Ireland by 2031/32. This could

change if student number caps were removed in Northern Ireland and Scotland.

The Higher Education Funding Council for Wales have plans to start producing a Higher Education Initial Participation Rate again, similar to those used in England and Scotland. However, as these data are not currently available, we have not been able to track Welsh participation trends.

3. Adding participation change to demography

As we have seen, the young participation (initial entry) rate has been fairly steadily increasing, though faster for women than for men.

Looking back between 2007/08 - 2017/18 in England, the rate of increase in participation has grown on average by about 0.77 percentage points a year. For the purpose of this analysis, we have used this past participation level to assume an increase over the next 18 years of 13.8 percentage points. This would lead to a young (aged 30 and under) initial entry rate of 64% in England, which is an increase of 28% over the present 50%.

These projections suggest a significant rise in English demand for higher education. However, we do not believe these to be unrealistic. This increase in participation would still set England at lower levels of participation for those aged 30 and under than Scotland, for example. Equally, these projections are calculated on the same basis as our previous report. To date, there have been no changes since that report that would deem these projections inaccurate.

In Scotland, the level of participation has increased over the last five years by 0.5 percentage points a year. For the purpose of this analysis we have assumed here an increase over the next 17 years of 8.5 percentage points, leading to a young initial entry rate of 66% in Scotland, which is an increase of 15% over the present 57.5%. The Scottish figures are shown for all students, as breakdown by sex was not available.

The predicted demographic changes are not calculated for Northern Ireland, due to the different methodology used in participation rates.

Table 1 shows the increases in the number of young entrants that would be implied – first with only the demographic changes (third and fourth columns) and then assuming the increase in participation discussed above (fifth and sixth columns).

Table 1: Estimated change in full-time England-domiciled and Scotland-domiciled undergraduate entrants due to demographic change and combining demographic change with increases in participation

		Initial entrants in 2017/18	Change in entrant numbers in 2035 (based just on demographic changes)	Percentage change to 2035	Change in entrant numbers in 2035 (with male & female participation rate increase of 28%)	Percentage change to 2035
England	All males	150,085	5,341	3.6%	48,860	32.6%
	All females	183,235	6,482	3.5%	59,603	32.5%
	All	333,320	11,823	3.5%	108,463	32.5%
Scotland	All	33,549	-4,440	-13.2%	-74	-2.2%

In England, with an average course length of around 3.3 years, the 333,320 entrants in 2017/18 equate to about 1.1 million students in total. The 11,823 additional entrants arising from demography alone (with a static participation rate) will amount to around 40,000 additional students and the 108,000 additional entrants, if participation continues to increase at the medium-term rate, will require about 358,000 additional places by 2035. Despite a demographic dip compared to the 2030 figures, the continued rises in participation lead to predicted increases in student numbers even beyond HEPI's last report. There is a historical precedent for the underprediction of future student demand, where

only demographic data is considered – although, of course, participation trends play an equally important role.[10]

These calculations assume that participation continues on a steady trajectory, increasing by 28% between now and 2035. However, this trajectory is not guaranteed and relies on looking at participation rates so far. In order to better understand what might happen if we were under or over-estimating these figures, Table 2 sets out what the increase would be if participation were to increase by only 25% or up to 30%.

Table 2: Increased and decreased percentage change in participation rate

	Change in entrant numbers in 2035 (with male & female participation rate increase of 28%)	Change in entrant numbers in 2035 (with male & female participation rate increase of 25%)	Change in entrant numbers in 2035 (with male & female participation rate increase of 30%)
All males	48,860	44,198	51,969
All females	59,603	53,911	63,397
All	108,463	98,109	115,366

A 25% change would equate to a requirement of around 324,000 additional places in 2035. A 30% change would equate to a requirement of around 381,000 additional places in 2035.

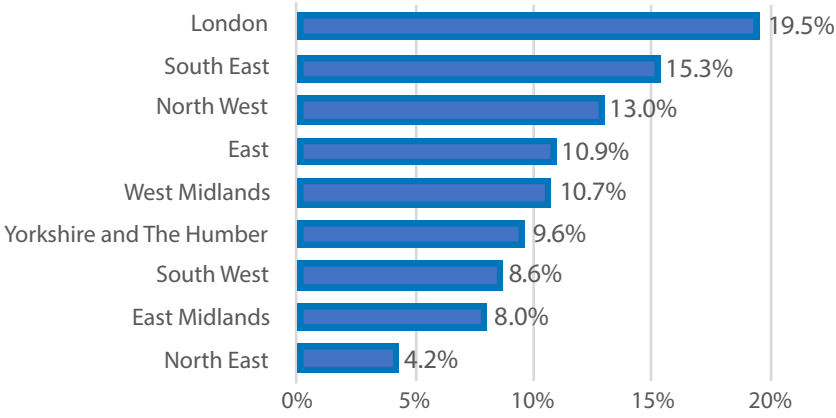
In Scotland, with an average course length of around four years, the 33,549 equate to about 134,196 students in total. The loss of 4,440 entrants arising from a dip in demography alone (assuming a static participation rate) will equate to a loss of just under 18,000 students, compared to 2017/18. If participation increases at the rate of the last five years, the loss will be less than 300 students. The decline in population means that Scotland could increase participation in higher education without needing to increase the number of places available.

4. English regional breakdown

In previous HEPI reports we examined what future demand will be for England as a whole. However, we know this does not represent an even picture across the whole of the country. Birth rates differ geographically, as do levels of participation in higher education.

Figure 8 looks at the proportional split of the English 18-year old population in 2035, broken down by geographical region. In 2035, more 18-year olds will be based in London than any other region, whereas the North East will have the lowest 18-year old population across England.[11]

Figure 8: 2035 English 18-year old population by region



Source: Office for National Statistics (ONS) - Births in England and Wales

Table 3 sets out the numbers of 18-year olds across England in 2035. By combining these figures with the 2016/17 regional participation levels (more recent regional participation data was not available at the time of writing), we can calculate projected change in entrant numbers in 2035, based on current

participation levels and the estimated increase in participation.

If the current participation levels were to remain the same, despite an overall increase in student numbers, many regions would be sending fewer students to higher education. This is due to the uneven distribution of the birth rate across the country, with London accounting for the greatest increase based on the 18-year old population. However, accounting for the projected increase in participation shows an increase in the 18-year old population expected to start university in 2035 across all regions.

Table 3: Estimated change in full-time English undergraduate entrants by domicile, due to demographic change and combining demographic change with increases in participation

Domicile region	2035 English 18-year old population	2016/17 regional participation levels	2016/17 regional initial entrants	2035 entrants based on current regional participation rate	2035 change in entrants based on current regional participation rate	2035 entrants based on predicted 28% participation increase	2035 additional entrants based on predicted 28% participation increase
North East	27,488	40%	13,600	10,995	**-2,605**	14,074	**474**
East Midlands	52,041	42%	25,325	21,857	**-3,468**	27,977	**2,652**
South West	55,883	42%	28,135	23,471	**-4,664**	30,043	**1,908**
Yorkshire and The Humber	62,088	40%	28,750	24,835	**-3,915**	31,789	**3,039**
West Midlands	69,331	47%	35,050	32,586	**-2,464**	41,710	**6,660**
East	70,725	50%	33,695	35,363	**1,668**	45,264	**11,569**
North West	83,822	48%	42,665	40,235	**-2,430**	51,500	**8,835**
South East	99,108	49%	51,955	48,563	**-3,392**	62,161	**10,206**
London	126,308	63%	61,645	79,574	**17,929**	101,855	**40,210**

By looking at the domicile of students and the region of the university they attended in 2017, we can roughly model the number of places that will be required in each region in 2035. Table 4 sets out the proportion of students that attend universities in each region, based on the domicile of the student. The highlighted cells show the proportion of students who stay in their home region to study.

Tables 5 and 6 set out the change in entrant numbers just based on demographic increases to 2035. It is important to note that this is only English students and does not include demand from Welsh, Scottish and / or Northern Irish students.

Table 4: Proportion of students who attend university in each English region, Scotland, Wales and Northern Ireland

		Region of provider											
		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Northern Ireland	Scotland	Wales
Domicile of student	North East	13.0%	3.4%	4.6%	5.8%	5.1%	7.7%	39.9%	12.7%	4.5%	0.1%	1.9%	1.3%
	North West	4.0%	61.0%	13.3%	4.0%	4.7%	1.1%	3.1%	2.4%	2.0%	0.1%	1.9%	2.4%
	Yorkshire and the Humber	10.9%	11.4%	53.3%	8.3%	4.0%	1.5%	3.2%	2.4%	1.8%	0.1%	1.9%	1.2%
	East Midlands	3.3%	6.7%	15.8%	43.3%	10.8%	4.0%	4.5%	4.8%	3.8%	0.1%	1.1%	1.8%
	West Midlands	1.3%	8.5%	5.2%	11.1%	52.4%	1.6%	4.2%	4.6%	5.6%	0.1%	0.7%	4.6%
	East of England	2.7%	3.7%	6.9%	13.1%	7.0%	28.6%	13.7%	14.1%	6.8%	0.1%	1.5%	1.8%
	London	2.1%	2.8%	3.1%	6.4%	5.7%	9.1%	47.5%	14.9%	5.2%	0.1%	1.6%	1.5%
	South East	2.3%	3.5%	4.2%	6.8%	6.3%	5.0%	14.6%	38.1%	13.8%	0.1%	1.7%	3.7%
	South West	1.6%	3.9%	3.4%	3.9%	6.9%	2.1%	7.4%	15.8%	44.2%	0.2%	1.5%	9.2%
	Northern Ireland	2.5%	8.8%	1.2%	1.0%	1.2%	0.8%	1.5%	1.5%	1.5%	71.9%	7.0%	1.0%
	Scotland	0.7%	0.5%	0.3%	0.3%	0.5%	0.3%	0.7%	0.5%	0.4%	0.1%	95.7%	0.1%
	Wales	0.7%	7.6%	1.9%	2.1%	3.8%	0.7%	2.5%	3.6%	7.7%	0.1%	0.6%	68.7%

Source: Higher Education Statistics Agency (HESA) HE student enrolments by domicile and region of HE provider

Table 5: Places required regionally, based on demographic changes

		Region of provider											
		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Northern Ireland	Scotland	Wales
Domicile of student	North East	-340	-90	-120	-150	-135	-200	-1,040	-330	-115	-5	-50	-35
	North West	-95	-1,485	-325	-95	-115	-25	-75	-55	-50	-5	-45	-60
	Yorkshire and the Humber	-425	-445	-2,085	-325	-155	-60	-125	-95	-70	-5	-75	-45
	East Midlands	-115	-230	-550	-1,500	-375	-140	-155	-165	-130	-5	-40	-60
	West Midlands	-30	-210	-130	-275	-1,290	-40	-105	-115	-140	-5	-20	-115
	East of England	45	60	115	220	115	475	230	235	115	0	25	30
	London	385	495	555	1,145	1,030	1,625	8,525	2,680	925	20	280	265
	South East	-80	-115	-145	-230	-210	-170	-495	-1,290	-465	-5	-55	-125
	South West	-75	-180	-155	-180	-325	-100	-345	-735	-2,060	-10	-70	-430

Figures are rounded to the nearest multiple of 5

Table 6: Total places required per region, based on demographic changes

Region of provider	Number of new places required in 2035 (based on 2017 participation rate)
North East	-735
North West	-2,200
Yorkshire and The Humber	-2,835
East Midlands	-1,400
West Midlands	-1,460
East	-1,365
London	6,415
South East	120
South West	-1,995

Figures are rounded to the nearest multiple of 5

Assuming the participation rate increased in line with recent trends, Tables 7 and 8 show how many places would be needed for new entrants by 2035.

Table 7: Places required regionally, based on increased participation rate

		Region of provider											
		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Northern Ireland	Scotland	Wales
Domicile of student	North East	60	15	20	25	25	35	190	60	20	0	10	5
	North West	350	5,395	1,175	355	415	95	270	210	180	10	170	210
	Yorkshire and the Humber	210	220	115	160	75	30	60	45	35	0	35	20
	East Midlands	90	175	420	1,150	285	105	120	130	100	5	30	45
	West Midlands	85	565	350	740	3,490	110	280	310	370	5	50	305
	East of England	305	430	795	1,510	805	3,310	1,590	1,630	785	15	175	210
	London	860	1,110	1,245	2,565	2,305	3,645	19,115	6,010	2,075	50	630	595
	South East	240	355	430	695	640	510	1,490	3,890	1,405	10	170	375
	South West	30	75	65	75	130	40	140	300	845	5	30	175

Figures are rounded to the nearest multiple of 5

Table 8: Total places required per region, based on increased participation rate

Region of provider	Number of new places required in 2035 (based on predicted 28% increase)
North East	2,230
North West	8,340
Yorkshire and The Humber	4,620
East Midlands	7,270
West Midlands	8,175
East	7,880
London	23,260
South East	12,580
South West	5,820
Northern Ireland	105
Scotland	1,300
Wales	1,945

Figures are rounded to the nearest multiple of 5

To understand how this distribution compares to the availability of higher education in each region, Table 9 shows the additional demand each higher education institution would need to provide for on average, based on the number of universities in each region. It is important to note that the universities in these regions vary by size, so the distribution of places will not be even across higher education providers. For example, London has a mix of both small specialist institutions and large higher education providers. The list also includes further education colleges that are registered with the Office for Students for their higher education provision.

Table 9: Places required per higher education provider, based on increased participation rate

Region	Number of higher education providers	Projected need for places per provider in 2035 (based on 28% increase)
North East	13	170
North West	48	175
Yorkshire and The Humber	32	145
East Midlands	27	270
West Midlands	34	240
East	36	220
London	111	210
South East	66	190
South West	40	145

Source: The Office for Students Register, as of August 2020[12]

5. Why does this matter?

There are a number of reasons why it is important to consider the future demand for higher education. Universities need to plan for the future and long-term projections of increased numbers of students may help them navigate the challenging financial environment of the next few years.

It is also important to consider in terms of student number caps. In England, student number caps (based on provider forecasts, with a 5% margin) were initially brought in for the 2020/21 academic year, at the request of Universities UK, to stabilise the sector.[13] However, as part of the response to the public criticism over the handling of students' A-Level results, the Government lifted the student number cap so that universities were free to take in all students who had achieved their grades and to ensure certain groups of students were not disadvantaged by the handling of A-Level results.

This change was coupled with giving A-Level students their 'Centre Assessed Grades' (which were largely based on teachers' assessment of students' abilities), rather than the grades calculated for them by the much criticised Ofqual algorithms (which moderated Centre Assessed Grades to mimic patterns of attainment achieved by schools in previous years). The grade inflation associated with giving students their Centre Assessed Grades, as opposed to algorithm calculated grades, means more students have met their offer conditions than is usual. Michelle Donelan, Universities Minister, has called on universities to hold places for all students who met their offer conditions and where this is not possible for this year, offer them a deferred place for next year.[14] This makes it less likely a number cap will be brought in for the 2021/22 academic year,

as universities will already be committed to fulfilling offers for deferred students as well as the latest A-Level cohort.

However, there are some who would like to see the return of student number caps in the longer-term. HEPI warned of the potential return of student number caps prior to the December 2019 General Election, from those who want to see fewer young people entering higher education and to crack down on 'low-value' courses.[15] This relates, at least in part, to the desire of the Treasury to reduce the Resource Accounting and Budgeting (RAB) charge in order to reduce the cost of higher education to the Government. Despite the fiasco of the setting, then removing, of the number cap for 2020/21, it is entirely possible that a student number cap could be re-imposed in the future. This has already happened in Australia, where a student number cap was in place until 2012, lifted between 2012-2017, then reimposed from 2017 onwards. While the Australian system shows that higher education participation can continue to expand while a number cap is in place, it also shows that this is more difficult to do and it leaves universities more susceptible to changes in political will.[16]

The analysis in this report demonstrates that if student numbers were to be capped longer-term, there would be a growing group of students not able to access higher education. As always, it is unlikely that those stopped from entering higher education would be those from more advantaged backgrounds. The analysis also shows that the issue is not as great for Scotland and Northern Ireland, where caps are already in place for Scottish students and students from Northern Ireland respectively. Although both currently have higher levels of participation than England, less stark demographic

changes and slower growth in participation means numbers are unlikely to increase as fast as in England.

The COVID-19 pandemic has also shone a light on the critical role that international students play to the funding model of higher education institutions across the UK (although it is important not to reduce the role of international students in the UK to a purely economic one). This is an issue which existed prior to the pandemic, as highlighted in a HEPI report published just before the crisis.[17] With expectations of lower numbers of international students studying in the UK for the 2020/21 academic year, universities have found themselves with capacity to take on more home students and will be reliant on these students for their income.

There are concerns that during this challenging financial period, some universities may not stay afloat.[18] By breaking down the demand analysis across English regions for the first time, this report shows the spread of an increased level of demand across England and therefore the potentially damaging impact to a region of a university 'going bust', as well as the wider implications.

The regional analysis also shows the impact that both regional demographic differences and where people choose to go to university have on student numbers across the country. The Government has stated 'levelling up' across the UK is one of its priorities and this analysis adds to the picture of the role that universities can play in achieving this ambition. As demand for higher education grows, universities can continue to contribute to the levelling up agenda, through the work they do in their local communities and through offering pathways for students to get to not only Level 6 qualifications, but to progress beyond

Level 3, when many young people currently leave education.[19]

It is also worth exploring where these additional students might choose to study. This projected increase in demand could follow previous patterns of growth, where highly selective universities see the greatest increases. Alternatively, growth could be spread across all existing institutions. Greater growth could be spread across the tertiary system with further education colleges, or new providers offering alternative forms of higher education, taking on some of the additional demand. It is yet to be seen how this will play out, however it is unlikely we will see significantly different patterns to previous years unless there are policy changes which make it a more favourable environment for further education colleges and new higher education providers. However, we do know further education is going to be subject to greater Government focus, with a White Paper expected in Autumn 2020. It should also be acknowledged that not all universities will aspire towards further growth. For some, sustaining existing student numbers may be the preferred choice.

6. What other factors might impact these calculations?

Of course, all this analysis can only provide projections of what is to come, based on the best available data to hand and the current policy environment. While recent events have shown the dangers of trying to predict the future, there are a couple of factors, not modelled here, that could impact these calculations.

Access and participation targets

The Office for Students have set challenging targets for universities in England on access and participation, to equalise the rates of participation of young people living in the least and most advantaged areas of the country by 2037/38. As a previous HEPI report highlighted, at the current rate of progress, this will take a century in highly selective universities.[20] Even more radical targets are in place in Scotland, where the Scottish Government expects students from the 20% most deprived backgrounds to represent 20% of entrants to higher education by 2030.[21] If these targets are to be met across the sector, significant steps will need to be taken. This will either mean limiting access to higher education to those from more advantaged backgrounds, or a significant expansion of higher education, meaning the predicted numbers are likely to be exceeded. An increase in students from more disadvantaged backgrounds entering higher education could also impact the regional distribution of students, as these students are more likely to stay closer to home to study.[22]

COVID-19 impact

As I write, the full impact of COVID-19 on student recruitment and retention for the 2020/21 academic year is still to be seen,

let alone the long-term impacts. However, it is already clear that we are entering what is predicted to be one of the most significant global recessions in decades.[23] Student numbers tend to increase in times of recession (both undergraduate and postgraduate), as people choose to avoid entering an unstable labour market or look to retrain. The numbers in this report do not attempt to predict the impact of a recession, so again, could underestimate future short-term demand. Equally the pandemic, which has significantly limited both domestic and international travel and geopolitical trends, could lead to students choosing to study closer to home.[24] For the analysis in this report, I have assumed patterns of where students choose to study will remain the same but if trends were to change, this could impact the regional impact of future demand. However, if this were to materialise, then that would represent a significant break with the established UK model of higher education as discussed in previous HEPI reports, and dating back to its mediaeval origins.[25]

It is also worth noting that there has been speculation about whether the pandemic will lead to people moving away from cities. One study found that one-in-seven Londoners wanted to leave London as a result of the pandemic.[26] Given the regional projections in this report suggest the greatest increase in demand will be seen in London, if students were to focus on universities outside of major cities, the regional distribution of student places could change.

One other outcome of COVID-19 could be a growth in numbers of mature students, as people look to retrain for the changing labour market. Given this report focuses only on the young population entering higher education, this could lead to greater demand for higher education which is not explained here. The

Government has indicated it will look to make higher education loans more flexible, which may attract mature students.[27]

Another factor that can impact the numbers entering higher education is school attainment, specifically the numbers of students attaining Level 3 qualifications. Despite continuous increases for a long time, between 2017-2019 the numbers attaining Level 3 qualifications has declined, although only by 1%. This is despite an increase in those obtaining A-Levels in the same time frame.[28] The changes seen to the distribution of exam results in 2020, as a result of exams being cancelled during the pandemic, mean this trend will certainly be reversed in the 2020 statistics. However, we do not yet know what will happen to the attainment of A-Level and other Level 3 qualifications from 2021 onwards. Political decisions will have to be made about whether to revert to similar patterns of awarding grades based on previous years, or whether to use the 2020 results as a baseline. Students who will be receiving their A-Levels in 2021 are likely to have missed a significant amount of teaching due to the closure of schools during the pandemic. However these scenarios play out, any impact on the number of students attaining Level 3 qualifications from 2021 onwards will impact the future demand for higher education.

Conclusion

This report can only go so far in predicting the future of student demand. The 2020 COVID-19 pandemic has demonstrated the dangers of making assumptions about the future. However, there are some things we can be certain of. Despite the fact the growth in the 18-year old population starts to decrease from 2030, demography alone will lead to demand for around 40,000 more undergraduate places by 2035.

Participation in higher education has grown steadily in England. If participation were to increase at the average rate for the last 10 years, then there would be demand for around 358,000 additional places by 2035. When we account for potential slowing of participation or additional growth, we see likely demand would still range between 324,000 to 381,000 additional places. The higher education sector in England will need to be prepared for a potentially significant increase in student numbers.

The picture is a little different in Scotland. Although they also see increases in participation and changing demographics, these are at lower levels, meaning we expect to see around 18,000 less places required based on demography alone, although this will shrink to around 300 places if participation is to increase in line with recent years. This means Scotland would be in a position to see increases in participation without needing to fund additional places in higher education. It is likely, based on demographics and participation, that Northern Ireland would be in a similar position, although this has not been calculated due to the difference in the methodology of their participation data. For Wales, no information is available on participation rates.

By breaking down the picture in England by region for the first time, we can see that a particularly high 18-year old population in London, combined with a high participation rate in London and a significant proportion of those who live in London choosing to stay in the region to study, means London sees the greatest growth based on this expected increase in places. However, with the growth in participation expected, all regions would expect to see growth in demand for places. This cements the important role that universities could play in the Government's levelling up agenda in the upcoming years.

There may be factors that influence these projections that are currently unknown. However, two factors that could have an influence are the access and participation targets set in England and Scotland and the current pandemic. Both, for different reasons, could lead to higher levels of growth than are predicted here.

However, these findings should not make the higher education sector complacent. All these projections could be over-estimations if government policy were to change to restrict the number of students entering higher education. Assuming there is no significant change to the student loan charges and repayment terms, the projections set out in this report will be seen as a significant additional cost to the Government. The response to this could be to limit the overall numbers of students entering higher education by setting student number caps, limiting the provision of courses that are deemed 'low value' or by introducing minimum entry standards. All of these would limit the number of people able to enter higher education. It is likely that the effects of any of these changes would be felt most by those students from disadvantaged backgrounds. If we want to see all those who

wish to enter higher education able to do so, we will need to continue to make the case to Government of why, now more than ever, continuing to educate our population to higher levels is so critical.

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This report is the latest in a series of HEPI reports on future demand for higher education, looking at demographics and participation rates to develop projections of demand for higher education to 2035. By looking across the UK, the report shows how patterns of demand could change over the next fifteen years in England, Scotland and Northern Ireland.

The report also examines regional demographics and participation rates to better understand how demand will be distributed across England. The report concludes by reflecting on the external factors that might influence these projections and discusses why it is so important to consider the long-term picture of higher education.

HEPI was established in 2002 to influence the higher education debate with evidence.
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Higher Education Policy Institute
99 Banbury Road, Oxford OX2 6JX
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