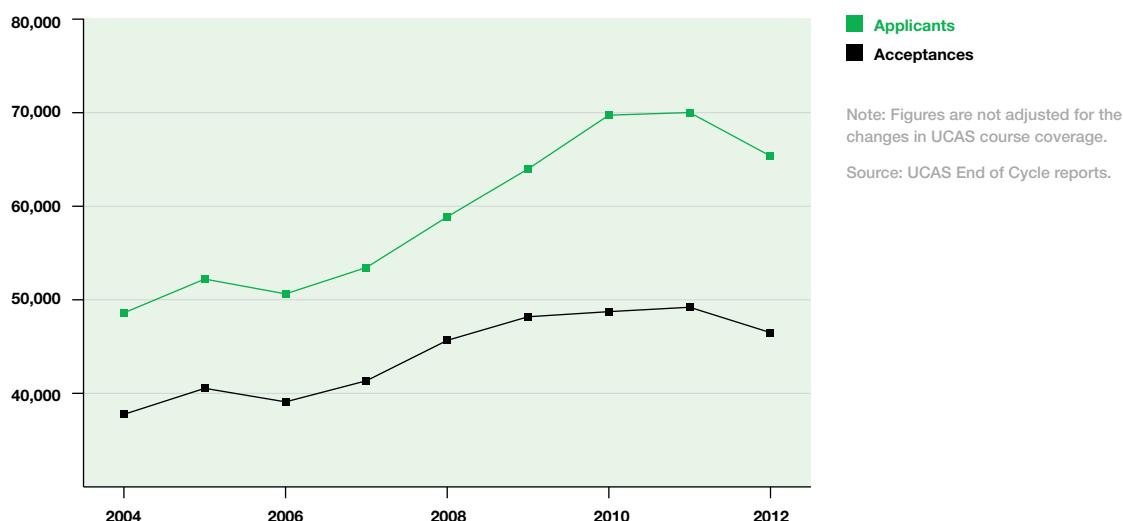


REFORMS IN HIGHER EDUCATION

= HIGHER QUALITY
PROVISION AND
BETTER-INFORMED
CHOICE?



Figure 1**Applicants and acceptances through UCAS**

One aim of the 2012 reforms to higher education in England was to generate increased competition between higher education institutions (HEIs) with a view to improving the quality of provision to students and overall performance in the sector. In this article

Adam Sheridan and **Helen Simpson** discuss issues for research and policy raised by the reforms, focusing on impacts on student choice and implications for university performance.

The 2012 reforms gave HEIs scope to increase course fees up to £9,000 per annum and allowed greater flexibility in student recruitment, with no restrictions on the number of students admitted with high A-level grades. Many institutions chose to set fees close to this level. For entry in 2012 30 per cent of institutions submitting an 'Access Agreement' to the Office of Fair Access had an average fee of £9,000, with the average across all institutions standing at nearly £8,400.¹

Since graduates are now bearing more of the financial costs this might change their incentives and mean they place more emphasis on the overall benefits of higher education when choosing between alternative courses and providers. At the same time as student contributions increased, HEIs saw a significant reduction in funding for teaching provided through the direct grant from the Higher Education

Funding Council for England (HEFCE). This shift in the source of funding for universities together with the lifting of recruitment caps, which for some universities will cover a significant fraction of their student population, should act to make providers more responsive to student demand. Hence, encouraging student choice and greater competition in this way raises two immediate questions: 1) how do students make their choices? and; 2) how are HEIs responding to the incentives created by the new environment?²

In October 2013 the Office of Fair Trading (OFT) announced a call for evidence into the working of choice and competition in this market. Among the issues on which they asked for information are 'how universities compete between themselves for students in order to deliver value for money, including how they go about setting fees, deciding which courses to offer and how they should

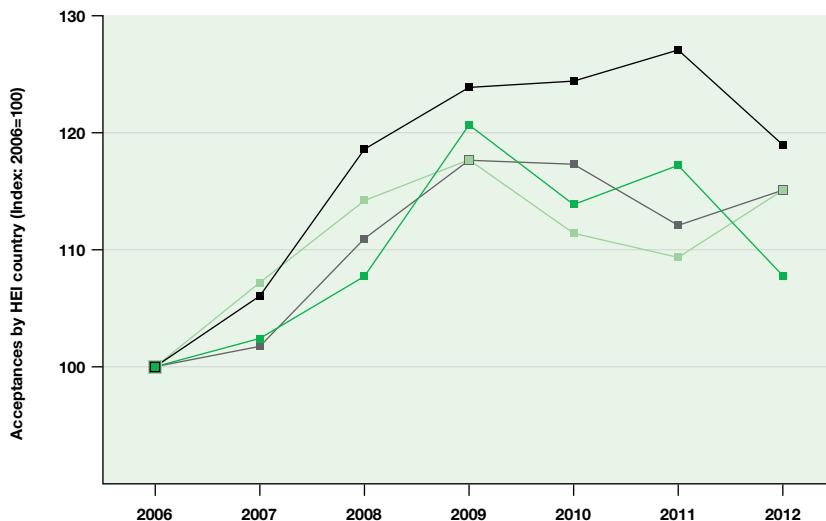
be delivered.' And 'whether students can access relevant and accurate information about courses and universities to enable them to make a properly informed choice.'³ The OFT call also raises further issues of both policy and academic interest, around whether existing regulations and the applications process, for example not being able to apply to both Oxford and Cambridge, might be acting to restrict choice and competition, and on the effects of HEI closures on students as well as the role of provider exit (and entry) in the competitive process.

Trends in applications and acceptances

Although the final figures for 2013 university applications are not available at the time of writing, we can learn about the initial effects of the reforms on student applications for entry in 2012, the first year of higher tuition fees. 2012 saw a dip in overall applications and acceptances to UK HEIs (Figure 1),

Figure 2
UK resident student acceptances
by country of HEI

Source: Authors' calculations,
UCAS annual reference tables (2013)



although the data that are available for 2013 do suggest a bounce back in applications. While the 2012 data might not be reflective of the longer-term aggregate trend in demand, they can shed light on changes in the pattern of demand across courses and types of provider.

Home residency and choice

Each of the devolved administrations within the UK adopted a different policy approach, which can be used to provide insights into how students and HEIs have responded to the new environment. The reforms had quite different implications for applicants who live in, and HEIs located in, different countries within the UK. For example, for students resident in England the tuition cost of pursuing a degree at a university throughout England, Wales, Scotland and Northern Ireland increased substantially, whereas for a student resident in Scotland the cost only increased at HEIs outside Scotland, substantially strengthening a pre-existing financial incentive towards choosing a Scottish provider. A similar 'home bias' exists for students who live in Northern Ireland, and for those in Wales the only change was an increase in the costs of studying in Scotland. UCAS data on acceptances shed light on where students eventually chose to study, although this is of course conditional on obtaining an offer, hence does not purely reflect demand.

Figure 2 shows that while HEIs in England and Wales saw a decline in acceptances in 2012 from UK resident students, HEIs

in Scotland and Northern Ireland saw acceptances go up. Investigating what underlies this, we find that for English HEIs there was a fall of around seven per cent in acceptances from students resident in England, which reflects the overall fall in places accepted by this group. There were also falls in acceptances at English HEIs from students resident in Scotland and Northern Ireland, of 11 per cent and 17 per cent respectively, with students shifting towards accepting places at home-country institutions. All three of these student groups saw an increase in the cost of studying at an English HEI relative to 2011, and students resident in Scotland and Northern Ireland had a stronger incentive to study at home. But there was an increase in acceptances at English HEIs from students resident in Wales who had the fee increase at English HEIs absorbed by the Welsh Assembly Government. This variation in the costs faced by different groups of students can be used to better understand a range of dimensions of choice, not just whether or not students choose to enter higher education and where, but in terms of the type of course they choose and the 'quality' of the provider.

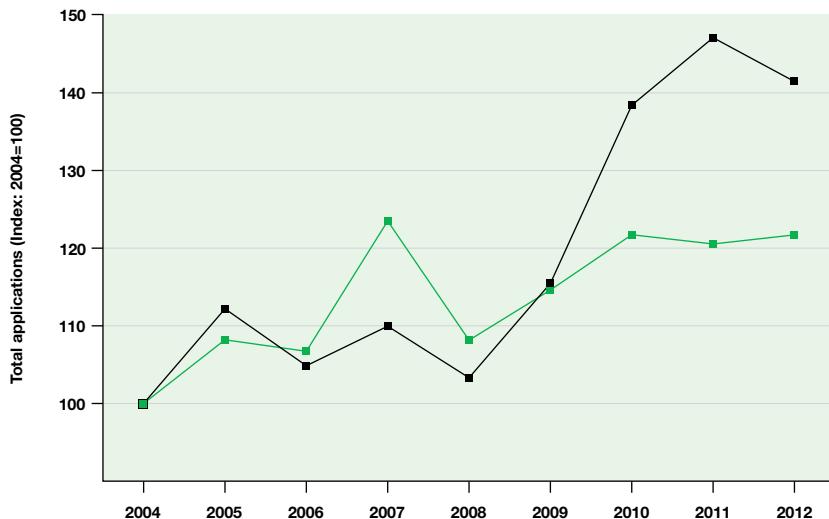
Subject winners and losers

With students bearing an increased financial burden from continuing in higher education, one immediate question is whether there is a change in the courses they choose to study, with a potential orientation towards courses with a higher perceived

Acceptances to modern foreign languages programmes fell by 14%.

Figure 3
Applications to Russell Group and Non-Russell Group HEIs

Source: Authors' calculations using UCAS annual reference tables (2013)



return. A look at the UNISTATS website, which provides detailed information to help students choose between courses, shows differences in average salaries at six months after graduation, although these figures will obviously reflect other graduate characteristics as well as the course of study and provider.

Recent research for the Department of Business Innovation and Skills (BIS 2013) reports that academic studies that try to control for graduate characteristics have tended to find that graduate earnings are typically higher for those that have studied STEM subjects (science, technology, engineering and mathematics) and for law, management and economics compared to subjects in arts and humanities. One question is whether students are responding to this type of information and other statistics on graduates from different courses, such as the percentage in employment or further study six months after graduation. Potentially indicative of such a response are figures from HEFCE (2013), which show that between 2011 and 2012, for HEIs in England, acceptances to modern foreign languages programmes fell by 14 per cent and to arts, humanities and social sciences by five per cent, with clinical subjects and STEM subjects exhibiting the smallest declines of two per cent or less.

Other measures for choice

Long gone is any romantic notion that students might base their university choice purely on the attractions of a city's social

scene. Faced with a wealth of information to guide choice, students will very likely place more weight on a subset of performance indicators, for example results from the National Students Survey (NSS) on course quality, summary measures such as rankings in university league tables, and broad indicators such as membership of the Russell Group. Figure 3 above shows that while applications to non-Russell Group providers fell in 2012, applications to Russell Group universities rose marginally.

A natural question to ask is what characteristics of these institutions, (such as the courses they offer), and the type of students they typically attract, (for example part-time versus full-time, proportion of mature students etc.) are underlying the differential application patterns. If university rankings matter, (a recent study by Gibbons et al. (2013) suggests they have some effect pre-2012, particularly for courses with more local competition), it would be interesting to know whether student choice displays increased sensitivity to these rankings in the era of £9,000 fees.

How might institutions respond?

A number of questions are raised by the shift in the balance of university funding away from being grant-based towards 'student pays'. If universities can identify which performance measures students focus on when making course choices, they will clearly have strong incentives to target these and improve their performance on these metrics. HEIs can also vary entry tariffs and

fee levels, although both might themselves act as a signal of course quality.

There might be potential for the reforms to result in a shift in resources away from research and towards teaching. But if the performance indicators on which students make choices in practice primarily reflect research quality, this might not be likely. Further questions include whether increased competition will lead to greater innovation in the way higher education is delivered, for example through MOOCs, and whether there will be a substantial shake-out in the sector in response to falling demand for some subjects and at some institutions. Clearly the 2012 reforms raise a number of questions where, for now, we must wait for the answer.

¹ OFFA Access Agreements 2012/13.

² Another important issue is obviously that of the effect of tuition fee reforms, in combination with widening participation initiatives, on fair access and on which individuals choose to pursue higher education.

³ Paragraphs 9 and 11. http://www.oft.gov.uk/shared_oft/markets-work/HE-CFI.pdf

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Further reading

BIS 2013, *The impact of university degrees on the lifecycle of earnings: some further analysis*. BIS research report 112.

Gibbons et al. (2013), 'Student satisfaction, league tables and university applications' SERC discussion paper 0142.

HEFCE 2013, *Higher Education in England: Impact of the 2012 Reforms*.