

Can a shift in focus to part-time student recruitment lead to diseconomies of scale?: An exploration of tangible and intangible costs. (0159)

Introduction

2011 will bear witness to huge changes in the Higher Education Sector in the UK. The UK government's spending review has outlined a 40% cut in university teaching budgets, with actual figures being cited as a cut in the higher education budget from £7.1bn to £4.2bn by 2014. Additionally, at the time of writing, most universities in England and Wales have announced their intention to charge the maximum possible tuition fees of £9,000; whilst full-time home student numbers are being capped. These various financial pressures have led to Higher Education Institutions (HEIs) reassessing both costs and income streams manifesting itself in various ways. For example, University of Birmingham and University of Nottingham are investigating collaborating in terms of research projects and sharing academic appointments (Richardson 2011). Whilst newer universities may look to increase their part-time student numbers, a market that currently remains uncapped.

In addition to the lack of student number cap, it is also sensible to reconsider the part-time student market for purely demographic reasons; particularly for those institutions that have historically catered for part-time students as technical colleges or colleges of higher education. However, as with any increase in number, there is a tension between increasing part-time student numbers and the unit costs associated with these students. In economic terms, growth in output (in this case part-time student numbers) in large organisations often leads to economies of scale; hence a lower unit cost. So for example, if a part-time cohort increased from 20 to 35 students and the delivery mechanisms were unchanged, then this would result in a lower unit cost. In 2005, Johnes et al conducted a study for the then Department of Education skills, which explored the cost structure of HEIs in England. The study found that economies of scale are certainly prevalent within post 1992 institutions.

However, the complexities of HEI systems mean that the reality of student growth may not be as simple as it first appears. For example, what if a professional body (such as ACCA) has rules in terms of class size? Or the learning space being utilised simply will not accommodate the extra students. Perhaps, this cohort of students are already infilling with another student group? (e.g. full-time), and thus increased numbers have a secondary impact. Hence, as can be seen, the unit cost per student may increase rather than decrease, and thus the economic principle of diseconomies of scale will apply. Adams & Juleff (2003) argued that internal diseconomies of scale, in the form of worker alienation, can also be of relevance when assessing unit costs. This could certainly be relevant in a HE setting where staff workload increases

with class size. In addition, it could be argued that there are other intangible costs that should be taken into account; in the form of impact upon quality of provision and student satisfaction (discussed below in purpose of study and research methods). Consequently, there is an argument that student number decision making, in response to turbulent market conditions, can be arbitrary.

Purpose of Study & Research Methods

Phase 1 – September 2011

The University of Wales, Newport (and particularly Newport Business School) have a long history of providing part-time programmes including undergraduate, post-graduate and professional. In recent years, in the undergraduate and post-graduate areas, more emphasis has been placed on full-time markets, thus resulting in static / declining part-time markets. The changes in funding outlined in the introduction, coupled with the potential cut in overseas students, have meant that the university management has encouraged a renewed focus on part-student recruitment by setting incredibly challenging targets.

Therefore, this paper presentation will disseminate the findings of a study at Newport Business School which will assess the unit costs of part-time students across a range of part-time programmes, relating to September 2011 recruitment. The researchers will investigate tangible direct costs such as having to provide additional tuition (if a class has to be split). However, perhaps more interestingly, the study will also attempt to explore intangible costs such as those related to student factors, including retention and satisfaction. For instance, Prescott & Simpson (2004) explained that large class sizes were viewed as a dissatisfier and could impact upon retention. Similarly, Gaffney-Rhys & Jones (2008) when evaluating NSS results within a Business School, found that the organisation of the timetable was of specific importance to part-time students. Therefore, if the timetable becomes fragmented due to the need to split classes or change times of sessions to accommodate bigger groups, then this could decrease student satisfaction.

The study will involve a range of methods including actual analysis of tangible costs per student across a range of part-time programmes, the tracking of student data such as retention rates and qualitative methods such as interviews and focus groups in order to explore possible intangible costs. As the researchers already have experience of exploring National Student Survey (NSS) responses, some of the NSS headings (e.g. teaching on my course, organisational and management) will be used to assess possible impact of increased numbers on student satisfaction. The study will be longitudinal in nature, so the data presented at the SRHE conference will consist of initial findings.

It is envisaged that the outcome of phase one of this study will include the generation of optimum student numbers (based upon tangible and intangible costs) for the individual part-time programmes included in the research. Additionally, a recruitment (number) decision making matrix will be produced that could be of value to HEIs generally.

Therefore, **Phase 2** of the study will involve the testing of the applicability of the recruitment (number) decision making matrix to the wider academic community. This will be facilitated via the Association of Business Schools (ABS) Head of Department's network.

Implications of research

The research will explore student number decisions, particularly in relation to the part-time student market. It will assess if the assumption that more students will lead to economies of scale is erroneous when considering the complexities of part-time provision. A major focus will be the examination of the potential impact upon intangible costs (such as satisfaction and retention) of larger student cohorts.

From an internal perspective, optimum student numbers will be generated for a range of part-time programmes. However, more importantly, a recruitment (number) decision making matrix will be produced that could be of value to HEIs generally.

1051 words

References

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Abstract

Theme

Management, leadership, governance and quality.

Title

Can a shift in focus to part-time student recruitment lead to diseconomies of scale?: An exploration of tangible and intangible costs.

150 words

2011 will bear witness to huge changes in the HE Sector in the UK. In these current turbulent times universities will seek to maximise income and reduce costs. Part-time student numbers currently remain uncapped and some universities will target this market as a potential growth area. Phase one of this study, set within a Business School of a post 1992 institution, will explore student number decisions, particularly in relation to the part-time student market. It will assess if the assumption that more students will lead to economies of scale is erroneous when considering the complexities of part-time provision. A major focus will be the examination of the potential impact upon intangible costs (such as satisfaction and retention) of larger student cohorts. Research outcomes will include the generation of a recruitment (number) decision making matrix that could be applicable to many HEIs; this applicability will be tested in Phase two.