

## **Have higher tuition fees changed student perceptions and higher education choices?**

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The sharp rise in tuition fees in England between 2011/12 and 2012/13 provides an opportunity to re-examine the ways in which the costs of participation in higher education are incorporated into students' decision-making. This study exploits this policy change by comparing the views of first year undergraduates in the first year of higher fees with the views of second year undergraduates who were the last cohort on the lower fee structure. The introduction of higher fees was justified (Browne 2010) on the grounds that the private returns to participating in Higher Education were more than sufficient to accommodate a switch of the long-term financial burden from the state to the graduate. This policy stance predicted that there would be little or no effect of the fee increase since potential applicants would still benefit from going to university. This assumes that decision-making focuses on absolute levels of net benefit. In contrast, prospect theory (Kahneman 2011) suggests that decision-makers will focus on *change* in net benefits, which fell due to a doubling of headline fees.

Gauging the response to the new fees from perspective students has been hard to predict and map for universities. In 2011, knowing that the 2012 fee increase would take hold, the increase in applications to the UCAS system reached 669,956 strong; its highest rate. A year later an expected drop in applications was recorded at 618,247 a 7.7% reduction. The latest 2013 application data (June 30th) shows some levelling off with 637,456 applications resulting in a 3.1% increase on the previous year (UCAS 2013).

Although these overall figures show the market demand changing from year to year (somewhat following an expected pattern), they fail to encapsulate the competition and discrepancies within the applications to each university.

### Method

This study employed survey questionnaires with first and second year undergraduates attending one English university during the academic year 2012/13. The standard undergraduate fee for first year undergraduates for the 2012 intake was £7,499, which rose to £8,300 for resource intensive awards and £9,000 for 2 year Fast Track degrees. The standard fee for second year undergraduates was £3,000

Within the sample of 627 (632 collected but five removed for either being under 18 or not indicating age), 302 are Year 1, 306 in Year 2 and 19 within third or higher year groups. This anomaly of third years is accounted for retaking students and also those progressing from Foundation Year awards. In this paper the grouping of Year 2+ is appropriate as it is comparing the factors impacting upon HE study for students entering the University during the September 2012 cycle and those prior.

The sample was collected from one English new university. Overall 632 questionnaires were collected and processed, making this approximately 6.5% of the overall full-time on-campus undergraduate population. To provide a cross sample of subject disciplines the students studying the following subjects were selected: English, Business, Law, and Computer Science.

The survey, made of 23 questions, firstly collects background information including ethnicity, social class; furthermore they were questioned on how they paid their fees. The survey contained to build up a picture of the respondents by asking them to what extent different factors influenced their choice of university. Price sensitivity has been gauged with students indicating how likely they would be attending university based upon a price scale from £3000 to £9000.

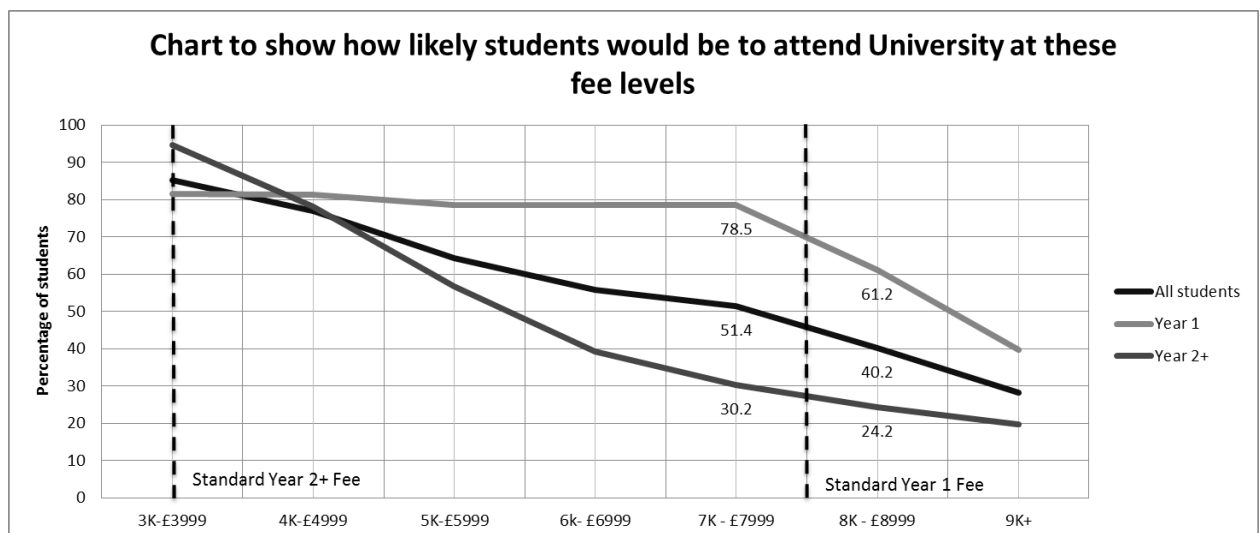
### Results

88.7% of Year 2+ students pay less than £4,000 per year fees, whereas 84.1% of Year 1 students pay over £6,000 demonstrating the expected difference in the fees for the two year groups.

Students were asked to identify how their fees were being paid. Categories were then split into those where students were contributing to paying the fee (e.g. direct payment, taking out loans or parental payment) or not contributing to paying the fee (government bursary). The findings showed that nearly 40% of students (similar proportions in each year group) claimed not to be contributing to the payment of their tuition fees.

Findings also showed that the numbers of responders agreeing that it would have been likely that they'd have attended university at suggested fee levels. This shows that Year 1 students are much less sensitive to the fee changes compared to Year 2+ student.

Figure 1 – Price sensitivity



(Fig 1)

K-Means three part cluster analysis was used to investigate the relations within the data which could provide a model for student price sensitivity. Three clusters provide a model in which 279 of the students would be likely

to attend University at any price; 249 at lower fee levels (below £6,000); finally a group of 62 students who'd be likely to only consider attending University at higher prices. Analysis of these clusters indicated that student fee contribution hasn't appeared to have impacted upon student price sensitivity in respect to if students are contributing to the fees or not.

### **Discussion and future research**

The notable difference between the groups subject to higher and lower fees is that Y2+ showed a much higher response to suggest that they began their university studies when they did as they anticipated costs to rise. Data illustrates the theme that elasticity of demand is much less than imagined, that is to say that from the data 80.4% of Year 2+ would have been unlikely to pay £9,000 per year fees to enter higher education. However such differences could be explained by consumer behaviour and justifications of their purchase – for example Year 1 have chosen to pay a higher fee are therefore will defend that decision. These results show that whether or not students are contributing to paying their own fees has little impact upon their price sensitivity. As the government and universities discuss the possibilities of raising the undergraduate fee burden upon students further, this data would suggest that further research into the price sensitivity of current and perspective students would be recommended.

### **References**

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