

## NEWS - PRESS RELEASES

### University Study Examines Impact of Higher Tuition Fees

#### Higher Tuition Fees will not kill demand for degrees - but will force many universities to compete on price, study reveals

Proposed fee level rise will lead to a 'flight to quality' and differential fees between universities – though most students would still seek to attend university

Many universities in England and Wales will have little choice but to consider charging less than the maximum for many of their courses if the cap on tuition fees is raised to £7,000 a year, the findings of a new national study suggest.

Differences in fee levels will inevitably emerge not only between universities but also between subjects as institutions fight to retain their share of the student market and do what they can to continue to attract prospective students from poorer backgrounds.

A survey of 730 UK university applicants commissioned by the University of Leicester found that if the current review being led by former BP boss Lord Browne results in the fee cap rising from £3,000 to £7,000 a year, as has been forecast, there will be a modest but nevertheless significant rise in the proportion of students rejecting university. Students from poorer backgrounds will be deterred the most unless institutions respond to the new market with bursary packages and prices below the maximum cap.

If all universities charged the same as they do now, fee increases up to £7,000 would produce a "flight to quality" – with students increasingly preferring prestigious institutions. Newer universities in particular may need to respond to this threat by charging a lower fee than the maximum allowed in order to remain attractive. The migration of all universities to a new, higher maximum cap, as effectively happened in 2006 when the current system of fees was introduced, would not be sustainable.

Despite the prospect of fees more than doubling, most would-be students would still seek to attend university. The research conducted by OpinionPanel and the University of Leicester, looking at a cross section of 10 named universities, found that 1 in 10 of prospective students would be put off applying for a place if all fees rose to £7,000 a year, and only a slightly higher proportion would reject university if faced with fees as high as £10,000 a year. Under such conditions, however, some universities could expect a potentially disastrous drop in preference for their courses.

Universities should not bank on scoring well in the National Student Survey to help prop up higher prices, either. The survey found little correlation between student satisfaction levels and the amount prospective students were willing to pay – the choice of course and the prestige of the institution were the key factors.

Just as the impact of higher fees would not be felt equally across all institutions, it would not be felt equally across all subject areas. Medicine was the most immune to the impact of higher fees. At a fee level of £7,000, just 31% more would-be students said they would reject studying medicine compared with those who were deterred at the current fee level. By contrast, there was a 116% increase in those who would be deterred from studying Arts and Humanities subjects with fees at £7,000.

Director of Marketing & Communication at the University of Leicester Richard Taylor said: "A fee cap of £7,000 or greater will change the face of UK higher education for would-be students. It will mean differences in fee levels between universities, and possibly courses. It's encouraging to see the numbers in the survey still opting for higher education holding up – but we should not be complacent. We have a particular interest as Leicester is the most inclusive of Britain's top-20 leading universities with the greatest proportions of students from under-represented groups. We commissioned this research in order to examine the impact of variable fees on the student market with a particular focus on the impact for widening participation in HE.

"The findings of this survey make it clear that if the cap on tuition fees is lifted much higher than £5,000 per year, many universities will find it difficult to maintain their share of preferences from prospective students unless they charge less than the maximum.

"The amount prospective students are prepared to pay varies significantly between subject areas as well as between different types of university. Introducing genuine variable fees therefore seems the most logical way forward, allowing universities to set fees according to demand and perceived quality. This will also benefit students by giving them more choice on price, course and the type of university they wish to attend.

"It's disappointing that there isn't more correlation between perceptions of quality and actual student satisfaction

levels. One would hope, in a situation where fees were differentiated, that students would make much more use of measures such as the National Student Survey to research the quality of the degree they plan to study. Under such circumstances, universities will need to work even harder than they do now to enhance their offer and ensure students have an excellent experience."

Professor Sir Bob Burgess, Leicester's Vice-Chancellor, said the findings showed how important it was to give universities freedom to set fees at various levels by subject or course rather than just across an institution, and to provide a comprehensive financial support system to ensure equal opportunities for students from all backgrounds.

"The focus of the fees debate so far has been on how much universities should charge. But for a true fees market to emerge institutions need to be able to set fees at different levels for different courses. Under those circumstances newer universities would still be able to charge the maximum for their most popular and highest quality courses, while research-led institutions may need to charge less than the full amount for less popular programmes.

"Increasing fee levels and creating a true market is only desirable, however, if supported by a comprehensive system of bursaries and scholarships to ensure that students from poorer backgrounds or families with little or no experience of higher education are not disadvantaged."

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### Notes to Editors

The OpinionPanel research was conducted in Spring 2010. A sample of 730 UK university applicants were presented with a series of combinations of ten named universities, subjects and fee levels, and asked to select which they would be most likely to choose in a real situation. The extensive series of iterations allowed simulation of a "share of student preferences" for each university or subject area in any hypothetical market with raised fee levels. It also showed what proportions of students from different backgrounds would reject university entirely given a particular hypothetical combination.

The following table shows what percentage of respondents said they would reject university if all fees were set at various levels:

*Table 1: % of respondents rejecting university by socio-economic group at different levels of fees*

Fee Level	% Rejecting University	% Rejecting University from lower SEGs	% Rejecting University from higher SEGs
£3,000	6.3%	8.1%	6.0%
£4,000	8.0%	10.5%	7.3%
£5,000	8.7%	11.3%	8.0%
£6,000	9.9%	13.4%	8.9%
£7,000	10.3%	13.8%	9.2%
£8,000	10.4%	13.9%	9.3%
£10,000	10.4%	14.0%	9.3%

The survey findings show that if fee levels rise and all institutions charge the same, demand for places at certain universities would fall significantly, while some of the most prestigious would enjoy higher demand:

*Table 2: Share of preferences by institution (where share at £3000 = 100) at different fee points, assuming all HEIs opted for maximum level*

Price @	£3,000	£4,000	£5,000	£6,000	£7,000	£8,000	£9,000	£10,000
University A - Russell Group	100	98	92	99	98	100	100	100
University B - New university	100	86	72	49	39	29	28	27

University C - Russell Group	100	98	98	89	88	91	90	91
University D - 1994 Group	100	83	74	57	50	43	43	42
University E - 1994 Group	100	87	76	66	64	58	58	57
University F - Russell Group	100	93	85	78	73	71	72	71
University G - Oxford	100	107	110	115	116	117	117	117
University H - 1994 Group	100	83	79	66	66	61	62	61
University I - Russell Group	100	95	97	95	96	100	100	100
University J - Russell Group	100	90	93	90	95	94	94	94
Reject University	100	128	138	157	163	165	165	165

The survey findings also show that that fee increases would have a variable impact on demand for places in different subject areas:

*Table 3: % Increase in respondents rejecting university compared to current position (ie fees of £3000) by different subject groups if fees increase to £7000*

	Increase in Proportion deterred if fees increase to £7000
ALL	63%
Arts & Humanities	116%
Biological Sciences	71%
Business & Management	68%
Law	44%
Medicine	31%
Physical Sciences	67%
Social Sciences	59%

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