

Title: Summary of demand factors to 2018

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Possible future levels of UK/EU demand for HE from UCAS analysis

In a system with fewer recruitment controls than previously there is more potential for recruitment to follow the changes in the level of demand for higher education.

UCAS applicants are a direct measure of demand for full time higher education.

There is high uncertainty about both future demand for higher education and how it might translate into acceptances.

What do UCAS' forecast models suggest about UK/EU demand for HE?

Midpoint estimate is for modest (1%-2%) annual increases in UK and EU applicants in the next few years, but the forecast interval is wide and encompasses a range covering increases totalling around 10% or more by 2018 to lesser demand in 2018 than today.

For internal planning purposes UCAS runs a series of forecast models. These are based on extrapolating recent trends and variability in application rates for different age groups in the UK and combining them with population forecasts. For applications from outside the UK we extrapolate trends in numbers.

The main characteristic of these models is that they give a wide forecasting range, reflecting the variability in the historic series.

Our most recent set of forecasts, referenced against 2014 data were calculated after the January deadline data last year. The midpoints of these estimates indicate modest increases of 1% to 2% in the combined UK/EU applicant set. Total applicants from UK/EU are estimated to be around 650,000 (+/- at least 30,000) between 2016 and 2018, compared to 625,000 in 2014.

January deadline demand in 2015 was within the forecast interval but slightly (around 0.4 percentage points) weaker than the midpoint estimate. This was driven by below trend increases in the young application rate and falls in the mature application rates, partially offset by higher EU figures.

The forecast model will be rebuilt with these new data in early 2015 and this is likely to result in lower estimates of demand in the 2016-2018 period.

What external factors could alter demand away from trends?

The forecasting models extrapolate demand trends. In the past decade there have been two external factors that have abruptly altered these trends.

The increase from c £3k to c £9k in headline tuition fees in England reduced demand by around 5 per cent proportionally. Trend growth has continued, but from a lower level.

If fees were subsequently increased or reduced it is likely that there would be a similar effect on demand, down if fees increased, up if decreased.

Increasing unemployment and reduced job vacancies associated with the onset of the recession in 2008-2009 drive elevated demand from older applicants in particular. If employment alternatives strengthen, demand could weaken.

How much unmet young demand is currently recorded in the UCAS system?

Amongst young UK applicants, probably no more than 10,000-20,000, and likely fewer.

Recruitment of UK/EU students could increase by more than any change in demand if a greater proportion of applicants were accepted.

In recent cycles around 60,000 UK 18 and 19 year old applicants have been unplaced at the end of the cycle. However, to view this fully as unmet demand, that could convert to acceptances, neglects that a large proportion of these unplaced applicants immediately reapply and are placed.

Around 85 per cent of English 18 year old applicants are placed by the end of the cycle, close to the highest levels recorded.

Of the 15 per cent of English 18 year old applicants who are unplaced around half of these immediately reapply the next cycle. Almost all of these re-applicants will be placed. The reapplication rates are especially high for those with higher grades, for example, almost 90 per cent for those who achieved AAA. [UCAS 2015 January deadline demand Analysis report, pages 34-39]

This leaves around 8 per cent of 18 year old applicants who are unplaced and do not immediately reapply, with around a fifth of those (around 2 per cent of the applicant total) holding higher grade qualifications.

So if the acceptance rate for 18 year old English applicants rose to 100 per cent there would be fewer than 20,000 net new entrants to higher education, and fewer than 5,000 of those would have higher grade qualifications. Since some of this total may be studying elsewhere, or doing activities other than higher education, through choice, the true level of demand from 18 year olds that is unmet through lack of matching supply is likely to be lower.

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