



# Student satisfaction, league tables and university applications: Evidence from Britain



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## ABSTRACT

We investigate the impact of information about student satisfaction on university choice, using data from the UK's National Student Survey (NSS) and on applications to undergraduate degrees. We show that NSS scores have a small statistically significant effect on applications at the university-subject level. This effect operates via the influence of the NSS on a university's position in separately published, subject-specific league tables, suggesting that information contained in the league table rankings is more salient. The impact of rankings is greater for more able students, for universities with entry standards in the upper-middle tier, and for subject-departments facing more competition.

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## 1. Introduction

A frequently cited rationale for recent market-based reforms in higher education has been to expand choice, increase competition and ultimately drive-up the quality of provision by making universities more responsive to students' needs. The efficient functioning of higher education markets depends crucially on prospective students possessing adequate information on quality (and price) in order to make rational, informed choices (Jongbloed, 2003). Yet, as an experience good, information on product quality in higher education may be difficult to acquire, potentially leading to sub-optimal decisions.

It is within this context that the UK's Higher Education Funding Council for England (HEFCE) initiated the Na-

tional Student Survey (NSS) in 2005, with the over-riding aim 'to help prospective students, their families and advisors to make study choices' (HEFCE, 2013). Administered by an independent market research company, the NSS is an online survey which collects information from final year undergraduate students on satisfaction levels with various aspects of their university course. The annual results are published online, including on the HEFCE and Unistats<sup>1</sup> websites, and typically receive media coverage following their release.

In this article, we empirically investigate the extent to which applications to university degree programmes respond to the signals generated by the NSS. Assuming that prospective students are utility maximising agents, one might logically expect them to take a cue from existing consumer feedback, resulting in greater demand for university

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<sup>1</sup> The Unistats website, which provides quality-related information on higher education in the UK, replaced the Teaching Quality Information (TQI) website in 2007. The latter also published NSS results.

degrees with higher levels of student satisfaction. Indeed, given the high costs of pursuing a degree and the potentially significant benefits of making an informed choice (Black & Smith, 2006; Brewer, Eide, & Ehrenberg, 1999; Broecke, 2012a, 2012b; Dale & Krueger, 2014; Hussain, McNally, & Telhaj, 2009), economic theory suggests that actors should expend considerable effort to acquire such pre-purchase information (Chetty, Looney, & Kroft, 2009; Stigler, 1961).

We make a number of contributions to the existing literature. First, our central focus on 'user reviews' of academic and institutional quality distinguishes the present study from an existing body of work which explores the links between student choice and quality (Meredith, 2004; Monks & Ehrenberg, 1999; Soo & Elliott, 2010). A defining feature of this literature is an almost exclusive focus on the use of composite league tables or rankings, comprising a weighted bundle of input, output and process-based metrics, as a measure of quality. A recent exception is Alter and Reback (2014), who include indicators of student happiness and quality of life – based on the Princeton Review's *Best Colleges* guidebook – in their analysis of US college applications. However, to the best of our knowledge, ours is the first study to examine the influence of independently published data on student satisfaction with their degree programme, derived from large scale national surveys. This feedback is specific to the subject they are studying, not just the university, and the surveys are unique in the information they elicit about student views on teaching, academic support, feedback, organisation and other dimensions of academic product quality. We find that, despite the considerable cost and effort involved in administering the NSS, the additional information it provides has only a small impact on the choices of students.

A second novel and important feature of our work is that we use information on quality at the subject-by-university level, with a dataset which captures a large number (40–60) of subjects for the majority of Britain's domestic universities/colleges (120–177 universities). By contrast, previous studies have mainly examined the influence of quality indicators at the university level (Broecke, 2012a, 2012b; Meredith, 2004), or considered one or two single subject areas (Sauder & Lancaster, 2006; Soo & Elliott, 2010). One recent exception is Chevalier and Jia (2015) study of application decisions across UK universities. However, their work only examines 17 broad subject categories which do not closely correspond to university departments, and furthermore only investigates the impact of composite league tables. Motivating our more disaggregated unit of analysis is recognition that prospective students are most likely to be attentive to satisfaction scores – as well as third-party league table rankings – for the departments to which they are applying rather than the university. While subject and university rankings are positively correlated across UK institutions, there is also substantial within-university variation in subject rankings (Cheng & Marsh, 2010). Even more importantly, having this information by subject, university and year allows us to better identify the causal effects of student feedback and quality indicators on student demand, by exploiting the year-to-year shocks in the subject-by-university NSS and published quality rankings (more details below) and controlling for unobservable time varying university and subject-specific effects.

Our third contribution is to examine whether the way in which information on quality is presented to prospective university students – 'salience' effects (Chetty et al., 2009) – affects application choices. To this end, we compare the direct influence of the NSS on student demand and its influence through its contribution to rankings in one of the UK's leading league tables, *The Times Good University Guide* (TGUG). The NSS might impact demand directly if prospective students respond to the constituent information published independently of third-party league tables. Alternatively, given that the satisfaction scores are now included in most of these league tables, it could be that the student satisfaction scores affect choices indirectly by influencing subject-departments' ranking. In order to identify the relevant pathway of influence, we exploit the fact that the NSS scores that are used to compile major league tables lag those published independently for the respective year of entry. Our findings strongly support the idea that the influence of the NSS primarily operates through league tables. The TGUG data also allow us to investigate which individual quality dimensions (student satisfaction, research quality, employability, etc.) of composite league tables have the greatest impact on demand.

A final contribution is to examine how the impact of subject-department league table rankings is conditioned by various factors, namely, prospective students' academic ability, their perceptions about the 'elite' or 'prestige' status of universities, and entry standards. We find that the league table rankings have the greatest effect on the most able students and for degree courses in the upper-middle entry standard tariff ('grades') group. Novel to the literature on university choice, we also examine how the impact of league tables on demand is influenced by competition, as given by the number of alternative providers in respective subject-department groupings. Consistent with predictions derived from economic theory and empirical evidence in other markets (Beckert, Christensen, & Collyer, 2012; Gaynor & Town, 2011), we find that the elasticity of demand with respect to league table rankings to be greater in courses in which universities compete more strongly with one another.

The present article relates to a number of broader streams of literature in economics. One is work concerned with the role of signals in informing consumer choice within settings where potential consumers find it difficult to judge quality (Daughety & Reinganum, 2008; Dranove & Jin, 2010; Nelson, 1970; Spence, 1973). Our findings add to a growing body of literature which investigates how consumer demand is affected by standardised quality indicators provided by external parties in areas such as schooling (Hastings & Weinstein, 2008), health care (Cutler, Huckman, & Landrum, 2004; Werner, Norton, Konetzka, & Polsky, 2012) and the environment (Delmas, Montes-Sancho, & Shimshack, 2010). Additionally, the article is instructive for recent debates in economics about salience, and the propensity of market actors to pay disproportionately more attention to information presented in some formats than others (Chetty et al., 2009; Falkinger, 2008; Hirshleifer & Teoh, 2003). Our findings also relate to work in industrial organisation and the under-researched question of how demand responsiveness to beliefs about quality is moderated by the degree of market competition (Beckert et al., 2012; Gaynor et al., 2012; Porter, 1974). The present study is additionally of interest

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