

# Policy Note

## Demand Driven Funding and Equity

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### Key Messages

- Demand-driven funding was implemented in conjunction with a national target to have 20% of undergraduate higher education enrolments from low SES students by 2020.
- While the share of both commencing and total undergraduate enrolments from low SES students increased by around one percentage point between 2008 and 2012, the majority of growth (80%) during this period still came from students of medium or high SES background.
- The proportion of domestic undergraduate remote and regional students declined slightly over the same period.

### Introduction

Demand-driven higher education provision was adopted in Australia in response to Recommendation 29 of the 2008 *Review of Australian Higher Education*, led by Emeritus Professor Denise Bradley AC. The aim of this recommendation was to address the need "to achieve better attainment of higher education qualifications",<sup>1</sup> considered necessary due to two key factors: predicted shortfalls in the supply of and demand for people with higher education qualifications over the coming decade;<sup>2</sup> and slippage in Australia's attainment rates relative to other OECD countries.<sup>3</sup> A phased approach was taken to implementation, with restrictions on bachelor level enrolments eased in 2010 and 2011, and removed entirely from 2012.

The Review recommended two attainment targets be adopted to help "focus the mind of policymakers on what needs to be done".<sup>4</sup> In 2009 the government announced the following:<sup>5</sup>

- By 2025, 40% of Australian 25-34 year olds will have a bachelor level or above qualification (Target 1); and
- By 2020, 20% of higher education enrolments at undergraduate level should be from low socio-economic backgrounds (Target 2).

The inclusion of the second target has sometimes led to the assumption that demand driven funding was primarily implemented as an equity measure. While it is clear from the recommendation quoted above that this was not the case, the Review did recommend that increasing participation rates from traditionally under-represented groups would assist Australia to achieve Target 1.<sup>6</sup> This paper examines the impact of demand driven funding on enrolments by low SES and regional/remote students two years into full implementation.

### Impact on Social Inclusion

On a proportional basis, low SES enrolments increased over the period between 2008 and 2012, growing by one percentage point for both commencing (15.9% to 16.9%) and total (15.0% to 16.0%) domestic undergraduates (Table 1).

However, the majority of the growth (around 80%) occurred in medium and high SES students,<sup>7</sup> with low SES representing only 12,000 of the 60,000 new commencing enrolments (20%) and 24,000 of the 118,000 total enrolments (also 20%).

1 Bradley et al (2008), *Review of Australian Higher Education: Final Report*, Canberra, Commonwealth of Australia, p155

2 Ibid, pp.15-16

3 Ibid, pp. 18

4 Ibid, p.19

5 <http://www.innovation.gov.au/highereducation/ResourcesAndPublications/ReviewOfAustralianHigherEducation/Pages/>

6 Bradley et al (2008), *Review of Australian Higher Education: Final Report*, Canberra, Commonwealth of Australia, p. xi

7 Plus a small number of students whose SES is unknown.

**Table 1: Domestic Undergraduate students, low SES and total**

		2008	2009	2010	2011	2012	Change		Share of Growth
							n	%	
Commencing	Low SES	29,826	32,178	36,007	37,269	41,791	11,965	40.1	20.2%
	Total	187,372	202,229	218,379	225,033	246,569	59,197	31.6	
	% Low SES	15.9%	15.9%	16.5%	16.6%	16.9%			
All	Low SES	84,446	89,166	95,173	100,111	108,491	24,045	28.5	20.4%
	Total	561,886	588,016	619,625	643,066	679,595	117,709	20.9	
	% Low SES	15.0%	15.2%	15.4%	15.6%	16.0%			

Source: Department of Education, Higher Education Student Statistics, 2012, Appendix 2

While not specifically mentioned in the social inclusion target, the Review also identified populations living in regional and remote areas of Australia as requiring “serious attention” to address under-representation.<sup>8</sup> However, two years of demand-driven funding has not had a significant impact, with the share of commencing domestic undergraduates living in these areas experiencing little change over the period (Table 2).

**Table 2: Domestic Undergraduate students, Regional and Remote (R&R) and Total**

		2008	2009	2010	2011	2012	Change		Share of growth
							n	%	
Commencing	R&R	38,605	41,245	45,808	46,282	50,361	11,756	30.5	19.9%
	All	187,372	202,229	218,379	225,033	246,569	59,197	31.6	
	R&R Share	20.6%	20.4%	21.0%	20.6%	20.4%			
Total	R&R	110,124	113,814	120,740	125,685	132,420	22,296	20.2	18.9%
	All	561,886	588,016	619,625	643,066	679,595	117,709	20.9	
	R&R Share	19.6%	19.4%	19.5%	19.5%	19.5%			

Source: Department of Education, Higher Education Student Statistics, 2012, Appendix 2

## Funding Implications

Departmental budget statements show that Commonwealth Grant Scheme (CGS) spending increased by \$1.8bn (43%) between 2008/2009 and 2012/2013 (Table 3). Since low SES students accounted for only around a fifth of enrolment growth, only around \$370m of this extra funding went to increasing the share of equity students.

**Table 3: Total CGS Spending 2008-2012, Projections to 2017**

2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
4,185,707	4,563,826	5,065,208	5,513,250	5,990,178	6,246,873	6,510,604	6,841,232	7,191,203

Source: Departmental Portfolio Budget Statements, various departments, various years

<sup>8</sup> Bradley et al (2008), *Review of Australian Higher Education: Final Report*, Canberra, Commonwealth of Australia, p. xiv

## Conclusion

Demand-driven funding represents a major change in higher education financing policy, and has proven more expensive than policymakers anticipated. Though demand-driven funding was not originally conceived as a measure to improve equity and access, latter day discussion of the costs and benefits of the system has often justified it on equity grounds. Commencements data give only limited support to this interpretation: while low SES enrolments have grown faster than medium and high SES, so that low SES students have (very slightly) increased their share of the total, nearly 80% of growth in commencements has been in medium and high SES commencements. For regional and remote students, demand-driven funding appears to have had no impact on access at all.