Policy Note
Demand Driven Funding and Skills Supply

Key Messages

- A key driver for the implementation of demand-driven funding was the prediction of shortfalls in demand for future graduates over the coming decade (to 2018).
- However, early indications suggest that much of the growth associated with demand-driven funding may occur in generalist fields of education, which have less well defined career paths than vocationally-orientated courses.
- The first wave of graduates from the demand-driven system is also due to graduate in a context of declining full time bachelor employment rates (as measured by the Graduate Destination Survey).

Introduction
Demand-driven funding was implemented in Australia with the aim of increasing the proportion of the population with a bachelor level (or higher) qualification, driven by predicted shortfalls in demand for university educated graduates over the coming decade.\(^1\)

While the easing of previous enrolment restrictions was welcomed by some,\(^2\) concerns were expressed over whether student choice would be sufficiently reflective of employer demand. As one Vice Chancellor noted in 2010, a demand driven approach could mean that “the shape of the future workforce was being handed over to the whims of 16 and 17 year olds”.\(^3\)

This paper examines the areas of study in which the growth in admissions has occurred and the implications for graduate outcomes and skills supply.

Student Demand by Field of Education
Figure 1 compares increases in offers for domestic, undergraduate commonwealth supported places (CSPs) by field of education for the period prior to (2005-2008) and leading up to and after implementation (2009-2012) of demand driven funding. It shows sizeable increases in the latter period in the generalist fields of Society & Culture and Creative Arts, Natural and Physical Sciences and Management and Commerce, which together accounted for nearly half of all increases in offers between 2009 and 2012 (47%).

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Figure 1: Change in Offers for CSP Places by Field of Education, 2005-2008 compared to 2009-2012. Fields are: Agriculture, Environment & Related (AER), Architecture & Building (A&B), Education (Ed), Engineering & Related Technologies (ERT), Health, Information Technology (IT), Management & Commerce (M&C), Natural & Physical Sciences (NPS), and Society & Culture and Creative Arts (S&C/CA).

Source: Department of Education, Higher Education Statistics Collection, UG Offers, Applications and Acceptances.

Offers to Health courses also increased between 2009-2012. However, as shown in Figure 2, these increases mainly occurred in “Other” health courses, incorporating some generic or non-clinically based courses.

Figure 2: Changes in Offers for CSP Places in the Field of Health, 2005-2008 compared to 2009-2012. Note that medical places are not included in the demand driven system.

Source: Department of Education, Higher Education Statistics Collection, UG Offers, Applications and Acceptances.

Completions by Field of Education

Bachelor level degrees are typically three to four years in duration,^4 so it will still be some time before the full impact of demand driven funding on completions by field is available. Nevertheless, data for domestic bachelor students to 2012 show that completions in Society & Culture (the biggest field) have been trending upwards since 2008, with a marked increase from 2010 (Figure 3). Since, as shown above, offers for places in this field have also been growing, this growth can be expected to continue in coming years.

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Figure 3: Domestic Bachelor Award Course Completions by Field of Education, 2004-2012. Note that only partial completions data for Agriculture was published in 2010.

Source: Department of Education, Higher Education Statistics Collection, Award Course Completions

Completions in Health have also grown strongly since 2005, rising to 18% of domestic bachelor completions in 2012, however some of this is likely to be in generalist (non-clinical) areas. This compared to 18% for Management and Commerce, and 24% for Society & Culture.

Graduate Outcomes

Graduate Destinations Survey (GDS) data shows that employment rates for new bachelor degree graduates have not recovered since the global financial crisis. Latest reports show that 10.6% of new graduates were unemployed and seeking full time work in 2013, with a further 18% under-employed (working in part time or casual jobs but seeking full time work), up from 15% in 2011.5 In 2013, 71% of graduates were in full time employment, fourteen percentage points lower than in 2008 (85%),6 and comparable to levels last seen in the early 1990s (Figure 4).

Figure 4: Rates of Full Time Employment, Bachelor Degree Graduates, 1997-2013.

Source: Graduate Careers Australia, GradStats.

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5 Graduate Careers Australia (2013), GradStats 2013, Table 1a
6 Graduate Careers Australia (2012), GradStats 2008, Table 1a
Growth in median starting salaries also remains slow. Median starting salaries for graduates aged 25 years or less in their first full time employment role fell as a proportion of average male earnings between 2009 and 2013, though it should be noted that 2009 levels were particularly high.\textsuperscript{7}

It may be wondered what impact a large increase in graduate numbers, many of whom are likely to be in generalist fields, combined with a likely downturn in labour market conditions, will have on graduate outcomes in the years to come.

**Conclusion**

An analysis of undergraduate CSP offers data shows that much of the growth associated with demand driven funding has occurred in generalist fields of education, which have less well defined career paths than for more vocationally-orientated areas of study. In some cases, for example Society and Culture, this is likely to ensure that the already existing trend for an increase in graduates will continue into the future. And reports from Graduate Careers Australia suggests this will occur against a context of static graduate employment rates and falling median starting salaries.

Overall, this suggests that the immediate employment prospects for the first cohort of graduates from the expanded, demand driven system may not be as strong as for graduates past.

\textsuperscript{7} Graduate Careers Australia (2013), GradStats 2013, p.7