

## THE WIDENING GAP BETWEEN DEMAND FOR AND SUPPLY OF UNIVERSITY GRADUATES IN AUSTRALIA

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*The rapid growth in demand for university trained personnel over recent years has mainly been filled by growth in the skilled migration program. The authors argue that more domestic students should be trained. The Coalition Government does not agree. It claims that 'unmet demand' from prospective university students has been met and anyway, that additional subsidised places are to be created. This article scrutinises these claims and concludes that they are not correct.*

There are now serious shortages of domestic university-trained professionals in Australia. The Australian Government has designated several professions as being in shortage across the nation. These include all the main engineering fields, accounting, the key medical fields (including doctors, nurses, physiotherapists, dentists and psychiatrists), and several major IT fields.

Not surprisingly, this situation has generated concerns about whether the scale of domestic university training is adequate. Yet such concerns seem to have faded from the headlines recently. Perhaps this is because the Minister for Education, Science and Training, Julie Bishop, has succeeded in lulling these worries with two sets of claims. One, repeated at the time of the May 2007 Budget announcements, is that 'available places in the university system are more than enough to meet overall demand'.<sup>1</sup> This proposition depends on information supplied by the body representing universities, the Australian Vice-Chancellors Committee (AVCC), now known as Universities Australia. The second claim is that, in any case, the Government has acted to increase the number of university places for domestic students in Australia. These claims are the subject of this article. Put in more formal terms they are as follows:

*Claim one:* According to the AVCC, there has been a big drop in the 'unmet

demand' for university places over recent years. The latest figures from the AVCC indicate that unmet demand fell from 36,100 places in 2004 to 13,200 in 2007.<sup>2</sup> According to Gerrard Sutton, president of the AVCC, 'Nationally, effectively, the unmet demand has been met'.<sup>3</sup> Implicit in such a statement is the message that, to the extent that there is a graduate shortage, it is not the government's fault because almost all eligible and aspiring domestic students are being accommodated in Australian universities. This message is based on figures which use a dubious 'unmet demand' methodology and which ignore the possibility that many prospective students are put off attending university by the costs of doing so, and/or by limits on the location and availability of courses related to their career aspirations.

*Claim two:* The Australian Government has responded to concerns about domestic training by increasing the number of Commonwealth-subsidised higher education places. There has been a raft of such announcements beginning with the *Our Universities: Backing Australia's Future* statement in 2004, in which the Coalition Government promised an additional 9,100 starting places would be funded, supplemented by 1,058 places targeted towards aged care, nursing, teaching and medicine, beginning in 2005.<sup>4</sup> In 2006 there was a further announcement that another 4,420 places would be

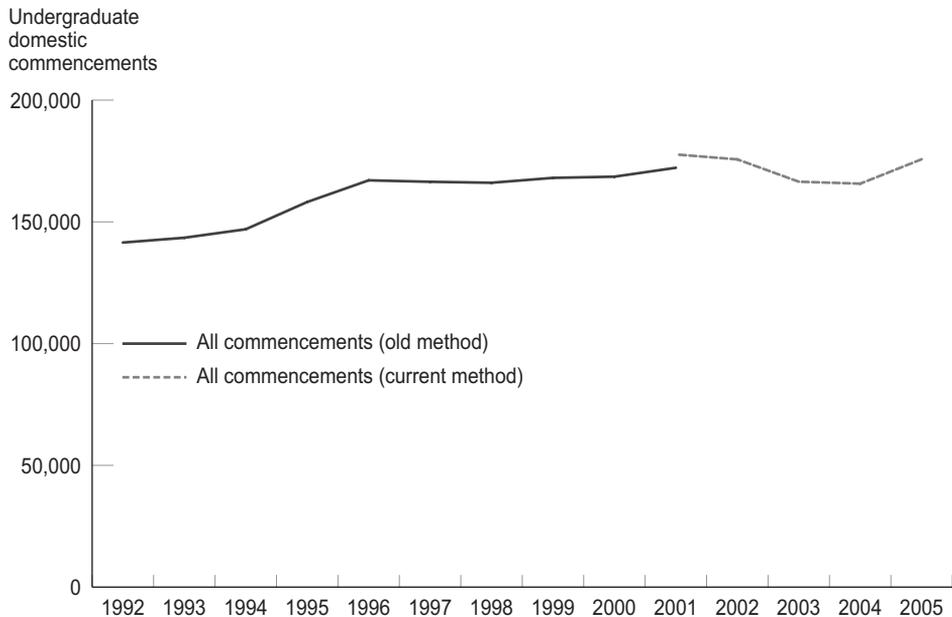
financed, starting in 2001, and later another that, as from January 2008, the Government would provide 500 additional commonwealth-supported engineering places at universities.<sup>5</sup> Finally, in the May 2007 Budget, the Government announced that it had allocated \$211 million over four years to facilitate greater flexibility in universities' provision of places.<sup>6</sup> The key initiative in this Budget was that the universities would have greater freedom in determining the courses they offered and that they would receive funding for over-enrolments up to five per cent beyond the numbers stipulated in their funding agreements. Should universities over-enrol to this extent, the Government would fully fund the additional places involved. Though these initiatives are welcome, as will be shown below they barely

compensate for losses due to other policies the government has pursued in the recent past.

### GRADUATE OUTPUT, EMPLOYER DEMAND AND RECOURSE TO MIGRATION

Australian employers face a huge gap between the output of domestic university graduates and the skill demands that are flowing from the long economic boom. This has resulted in an increasing shortage of domestic graduates. The explanation is simple. Since the Coalition Government came to office in 1996, it has effectively capped the number of subsidised university places it has funded. The consequence, as shown in Figure 1, is that there has been very little increase in undergraduate commencements over the ensuing decade.

**Figure 1: Domestic undergraduate commencements at Australian universities, 1992 to 2005**



Source: Department of Education, Science and Training (DEST), higher education student statistics collection 1992 to 2005

Note: The methodology for counting Australian university students changed in 2001. The comparative figures using these two methods are shown here in 2001. As illustrated, the new methodology resulted in a higher student count; therefore figures before and after 2001 are not strictly comparable.

Some may be surprised by this evidence, given that there appears to be much greater teaching activity at Australian universities. But as Table 1 shows, to the extent that this is the case in undergraduate courses since 2001, it has primarily been among full fee-paying overseas students. Domestic undergraduate enrolments have only increased from 520,221 in 2001 to 528,980 in 2005.

Over the nine years to 2005–06, the Coalition has presided over an economic boom during which the number of employed persons in Australia has grown by 1.2 million. Some 65 per cent of these new jobs have been in managerial, professional and associate professional occupations. Most new entrants to these occupations require degree level credentials.<sup>7</sup>

This diagnosis of the situation has been challenged by Andrew Norton. He uses

Australian Bureau of Statistics (ABS) survey data to argue that there is no generalised shortage of graduates in Australia.<sup>8</sup> This data source indicates that, as of May 2006, some 19 per cent of employed persons with graduate or above qualifications were not employed in managerial, professional or associate professional occupations.<sup>9</sup> Norton is correct in observing that there is no perfect fit between the output of graduates and employment at this level. But it is unrealistic to imagine that a perfect fit will ever occur. There are many reasons why those with graduate degrees might not be employed at the professional or managerial level. Of the 19 per cent with a university degree who were employed in occupations below the associate-professional level, the majority are employed in service occupations. Many of these are likely to be women who have framed their working

**Table 1: Australian university enrolments by domestic and overseas student status, 2001 to 2005**

|  | 2001    | 2002    | 2003    | 2004    | 2005    | Variation<br>2001 to 2005 |
|--|---------|---------|---------|---------|---------|---------------------------|
| <i>Number of university enrolments</i>                                   |         |         |         |         |         |                           |
| <i>Undergraduate</i>   |         |         |         |         |         |                           |
| Overseas   | 95,317  | 109,116 | 122,226 | 132,417 | 136,546 | 41,229                    |
| Domestic   | 520,221 | 531,527 | 529,403 | 525,518 | 528,980 | 8,759                     |
| Total  | 615,538 | 640,643 | 651,629 | 657,935 | 665,526 | 49,988                    |
| <i>All</i>   |         |         |         |         |         |                           |
| Overseas   | 157,208 | 185,058 | 210,397 | 228,539 | 239,495 | 82,287                    |
| Domestic   | 684,975 | 711,563 | 719,555 | 716,438 | 717,681 | 32,706                    |
| Total  | 842,183 | 896,621 | 929,952 | 944,977 | 957,176 | 114,993                   |
| <i>Enrolment share between domestic and overseas students (per cent)</i> |         |         |         |         |         |                           |
| <i>Undergraduate</i>   |         |         |         |         |         |                           |
| Overseas   | 15.5    | 17.0    | 18.8    | 20.1    | 20.5    | 5.0                       |
| Domestic   | 84.5    | 83.0    | 81.2    | 79.9    | 79.5    | -5.0                      |
| Total  | 100.0   | 100.0   | 100.0   | 100.0   | 100.0   | 0.0                       |
| <i>All</i>   |         |         |         |         |         |                           |
| Overseas   | 18.7    | 20.6    | 22.6    | 24.2    | 25.0    | 6.4                       |
| Domestic   | 81.3    | 79.4    | 77.4    | 75.8    | 75.0    | -6.4                      |
| Total  | 100.0   | 100.0   | 100.0   | 100.0   | 100.0   | 0.0                       |

Source: DEST, higher education student statistics (aggregated student enrolment file, UEAG) 2001 to 2005

lives around their family commitments.

Another explanation for graduates not working in graduate-level occupations, which Norton does not explore, lies in the extent to which the ranks of residents with degree or above qualifications have been drawn from migration. The skilled migration program has more than doubled since 2000–01, from 44,750 to 100,000 in the 2006–07 program year.<sup>10</sup> According to the ABS, persons born overseas constituted 34 per cent of all degree-qualified persons by May 2006.<sup>11</sup> Migrants from Non-English-Speaking Background (NESB) countries have long struggled to convert their degree credentials into professional and managerial positions. For example, of the 5,407 persons from NESB countries holding degree level or above qualifications in accounting who arrived in Australia between 1996 and 2001, only 34 per cent were employed in accounting or any other professional or managerial occupation at the time of the 2001 Census. Likewise, only 46 per cent of the 3,842 in the same

category who arrived between 1991 and 1995 were so employed as of 2001.<sup>12</sup> Similar outcomes were evident in 2005 amongst the thousands of former overseas students who have obtained permanent residence after being awarded Australian degree qualifications since 2001.<sup>13</sup>

The recent escalation of the migration program is a direct consequence of the Australian Government's anxiety about skill shortages. Although much of the public discussion is addressed to the trades, the reality, as shown in Table 2, is that skilled migration is mainly focussed on professionals and the numbers are very large. The table incorporates the in and out movement of residents, as well as migrants who are settlers or visitors. It shows that in 2005–06, there was a net inflow of 31,592 professionals from movement in and out of Australia of residents, settlers (including New Zealanders) and long-term visitors. Another 13,667 former overseas students with professional qualifications gained permanent resident visas in 2005–06,

**Table 2: Net gain from skilled movement, Australia, 2005–06**

| Occupation type             | Settler arrivals who stated an occupation<br><b>1</b> | Net long-term resident flow<br><b>2</b> | Net flow of long-term visitors (stating occupation) to Australia<br><b>3</b> | Net gain from overseas movement (sum of 1, 2 and 3)<br><b>4</b> | Former overseas students gaining permanent residence<br><b>5</b> | Total Net Gain (sum of 4 and 5) |
|-----------------------------|---|---|--|---|--|---------------------------------|
| Managers and administrators | 8,445   | -8,892                                  | 9,166  | 8,719   | 63   | 8,782                           |
| Professionals               | 26,822  | -19,876                                 | 24,646   | 31,592  | 13,667   | 45,259                          |
| Associate professionals     | 5,598   | -4,088                                  | 3,005  | 4,515   | 324  | 4,839                           |
| Tradespersons               | 8,000   | -1,931                                  | 6,329  | 12,398  | 1,300  | 13,698                          |
| Total skilled occupations   | 48,865  | -34,787                                 | 43,146   | 57,224  | 15,354   | 72,578                          |
| Other occupations           | 14,423  | -12,716                                 | 4,200  | 5,907   | 29   | 5,936                           |
| Total                       | 63,288  | -47,503                                 | 47,346   | 63,131  | 15,383   | 78,514                          |

Source: Department of Immigration and Citizenship (DIAC), Overseas Arrivals and Departures data, 2005–2006; DIAC visas issued data 2005–06, unpublished

almost all of whom would have completed their studies in Australia in 2005. In sum these streams add up to a total net gain of professionals in 2005–06 of 45,259. By comparison the total number of domestic undergraduate completions in Australia in 2005 was 110,973.<sup>14</sup>

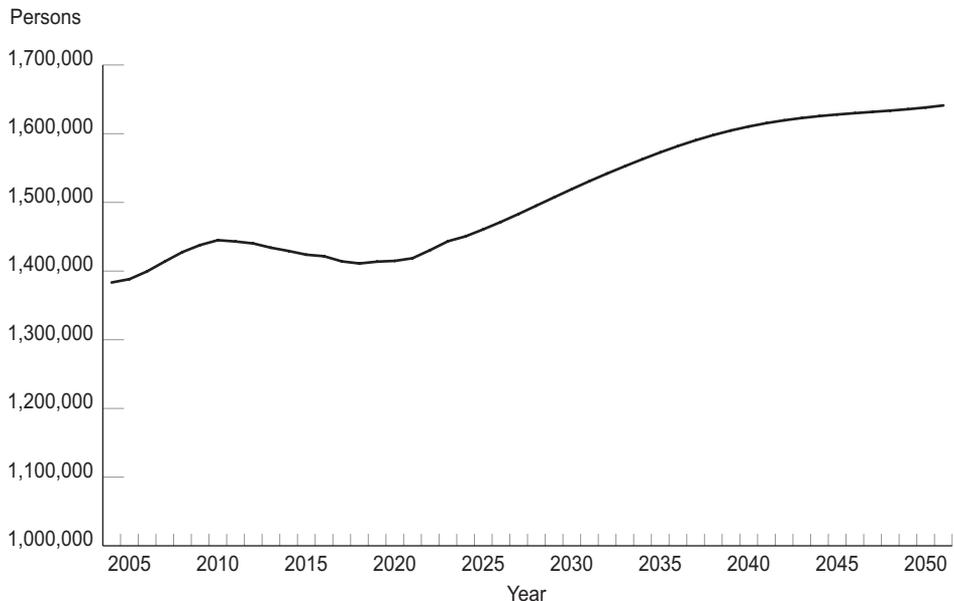
This level of dependence on skilled migration is unwise. The days when Australia could rely on a large flow of migrants from Europe have long passed. The bulk of Australia’s migrants are now drawn from developing countries. As noted above, many degree qualified migrants have struggled to find employment at the professional level. Migrants from developing countries often lack the training and work experience which Australian employers are looking for, as well as adequate communication skills.

Even if people from overseas with the

requisite skills were readily available, there would still be a strong ethical case for expanding opportunities for young domestic residents. The pronouncements of the Coalition government and the AVCC about ‘historic low levels of unmet demand’ may imply that there is no ethical issue. The implication is that there are simply not enough young Australian residents with the school qualifications, and the interest, to expand domestic higher education training significantly.

This implication is wrong. There is no shortage of young Australian nationals in the relevant age group. As the projection in Figure 2 indicates, the number of 15–19 year olds has increased over recent years and will continue to increase until the end of this decade. Most young people go on to year 12. However, of those completing year 12 in an Australian secondary school

**Figure 2: Population estimate, persons 15 to 19 years, 2001 to 2051**



Source: Centre for Population and Urban Research (CPUR) Projections, based on Productivity Commission, Economic Implications of an Ageing Australia, accompanying software, 2005

Note: Assumptions: annual net migration 130,000; Total Fertility Rate = 1.7; and life expectancy by 2051 males 83 years, females 86 years.

in 2005, only 41 per cent attended university in 2006.<sup>15</sup> Some will take up university courses in later years, but on past evidence, many will not. Our analysis below suggests that this is not because they lack the required tertiary entrance scores, but because the number of subsidised university places, and the incentives to take up these places, are insufficient.

Given present policy settings in Australia this dispiriting situation is likely to continue. The latest official information shows that by 2005 just 22.2 per cent of Australians aged 17 to 21 were enrolled at an Australian university. This proportion has fallen in recent years from 22.5 per cent in 2002 (Table 3).

One indication of the seriousness of these enrolment rates is that, by May 2006, 40 per cent of all jobs in Australia were managerial, professional and associate professional positions.<sup>16</sup> It is true that not all the people holding these jobs had degree level or above qualifications, but the degree-qualified proportion is increasing in line with the employer expectation that such positions now require these qualifications.<sup>17</sup>

**THE ‘UNMET DEMAND’ ISSUE**

The AVCC ‘unmet demand’ figure is the lynch pin of the Australian Government’s

concern over its higher education policy. The AVCC measure dominates public discussion of the issue, yet it has not been subjected to critical scrutiny. We apply this scrutiny to Victorian data because the required data from other states were less accessible.

One might imagine that ‘unmet demand’ would be based on the difference between the numbers of prospective students who applied to enter Australian universities and the number who subsequently received an offer or who enrolled. But this is not the case. The AVCC employs a process of ‘discounting’ (or removing) large numbers of eligible applicants<sup>18</sup> who missed out on a university place. The various components of the AVCC’s discounting as far as Victoria is concerned are summarised in the left-hand column in Table 4 and are explained below. Table 4 also includes an estimate of ‘unmet demand’ derived from Victorian data, which is based on an alternative methodology.

Of the group of eligible applicants which did not receive a university offer, the AVCC discounts interstate year 12 applicants (Discount 1 as shown in Table 4), applicants who only applied for one course (Discount 2) and applicants who only applied for two courses (Discount 3).

**Table 3: University participation rates by age, Australia, 2001 to 2005**

| Age  | 17   | 18   | 19   | 20   | 21   | 17 to 21 |
|------|------|------|------|------|------|----------|
| 2001 | 13.9 | 26.4 | 27.9 | 25.0 | 18.9 | 22.5     |
| 2002 | 13.3 | 26.8 | 27.8 | 26.1 | 19.5 | 22.7     |
| 2003 | 12.4 | 25.2 | 28.0 | 25.8 | 20.2 | 22.3     |
| 2004 | 12.0 | 24.8 | 27.0 | 26.1 | 20.0 | 22.0     |
| 2005 | 12.4 | 25.2 | 27.1 | 25.8 | 20.3 | 22.2     |

Source: ABS, catalogue no. 3201.0 and DEST higher education student statistics (UEAG) 2001 to 2005

it then further discounts the remaining group of applicants by applying a 'state rejection rate', based on an expectation that many of the students who did not get an offer would have rejected it if they had received one. This rate is based on AVCC estimates of the proportion of students who receive an offer and subsequently reject it or who withdraw from the course they enrolled in before the university census date.<sup>19</sup>

The discounting of interstate applicants (Discount 1) is justified. It is likely that these applicants would also apply for university places within their own state and, depending on whether they received and took up this offer in their home state may be included in that state's estimates of unmet demand (thus if not discounted they could be double counted). Our alternative calculation in Table 4 also applies this discount. The discounting of the other two categories of eligible applicants (Discounts 2 and 3) in the AVCC calculation is questionable.

In effect the AVCC denies the possibility that it may be quite reasonable for a prospective student to apply for only one or two courses. Each course has a separate number which is unique to a particular university, campus and field of education. In the AVCC's methodology, a student who applied for a place in an education course at three different campuses would not be discounted, whereas one who applied for only one or two places would be. It is not unreasonable for a student keen on being a teacher to apply for just two courses if there are only two conveniently located campuses offering the course. Similarly if accounting or engineering are a student's priorities, why should they be expected to apply for courses in other fields? For example, a student living in Mildura in Victoria who wishes to take up teaching, but has no financial support to move away from home

in order to study, is likely only to apply for the Bachelor of Education offered at La Trobe University in Mildura. If this student did not receive an offer for this course, then he or she would not be included in the AVCC figure of 'unmet demand'. Such 'discounting' implies that the student is the problem, whereas in reality it may be the higher education system that is the problem, because it is not providing courses students want to take, where it is practical for them to study.

The 'state rejection rate' applied by the AVCC is purely hypothetical, since the students in question did not actually receive an offer. The AVCC has assumed that they might have rejected their offer, if they had got one, at the same rate as those who did get an offer. This is a reasonable procedure. The problem is with the level of rejection the AVCC assumes. In the case of Victoria, the AVCC applied a 39 per cent rejection rate to its 'unmet demand' calculation in 2005. However, according to the Victorian Tertiary Admissions Centre (VTAC) Annual Statistics publication for 2005, the rejection rate for Victorian applicants was only 18 per cent.<sup>20</sup> In 2006, the AVCC applied a rejection rate of 23 per cent, yet the VTAC figures show that the rate was 15 per cent.<sup>21</sup>

Table 4 shows the AVCC calculation methods for 2005 and 2006 alongside an alternative method of calculation which applies an accurate state rejection rate and does not discount unsuccessful applicants who only had one or two preferences. The outcomes reveal how different conclusions can be reached using the same data but a slightly different methodology. In 2005, the AVCC calculation showed 'unmet demand' to be 6,500 places in Victoria. However, by adjusting this to reflect actual rejection rates and by including students with a preference for only one or two courses, unmet demand rises to 13,500, which is more than double the AVCC figure. In

2006, there was a decline in unmet demand. However, the AVCC figure estimate of 4,255 was still well below our alternative estimate of 8,089.

### FURTHER PROBLEMS WITH THE AVCC 'UNMET DEMAND' METHODOLOGY

There are additional problems with the AVCC measure. The AVCC approach to 'unmet demand' excludes all those students who have shown some interest in attending university by their application for a place and have received an offer, but do not take it up. The implication is that because the student rejected the offer, he or

she did not want to take on a higher education course. This is a dubious assumption. Prospective students may reject an offer because they have no means of supporting themselves while studying, or because the course offered was well down their priority list. One could speculate that the 'decline' in 'unmet demand' that Minister Bishop has highlighted may be an artefact of the Government's own tough policies. These include restrictive access to the Youth Allowance for higher education attendees and increases in the Higher Education Contribution Scheme (HECS) debt students incur if they are recipients of Commonwealth-subsidised university places.

**Table 4: Calculating 'unmet demand' in Victoria in 2005 and 2006: two alternative approaches**

| 2005   | AVCC Calculation | Alternative Method |
|--|------------------|--------------------|
| <i>Steps in the calculation of unmet demand (figures are for eligible applicants who did not receive an offer)</i> |                  |                    |
| Eligible applicants not receiving an offer   | 17,450           | 17,450             |
| Discount 1: year 12 interstate applicants  | 924              | 924                |
| Discount 2: applicants with only one preference  | 3,195            | —                  |
| Discount 3: applicants with only two preferences   | 2,665            | —                  |
| Number of applicants after Discounts 1 to 3  | 10,666           | 16,526             |
| State rejection rate for university places (applied after Discounts 1 to 3)  | 39%*             | 18%^               |
| Total discounted applicants  | 10,937           | 3,899              |
| 'Unmet demand' in Victoria, 2005   | 6,513            | 13,551             |
| 2006   |                  |                    |
| Eligible applicants not receiving an offer   | 10,468           | 10,468             |
| Discount 1: year 12 interstate applicants  | 952              | 952                |
| Discount 2: applicants with only one preference  | 2,271            | —                  |
| Discount 3: applicants with only two preferences   | 1,719            | —                  |
| Number of applicants after Discounts 1 to 3  | 5,526            | 9,516              |
| State rejection rate for university places (applied after Discounts 1 to 3)  | 23%*             | 15%^               |
| Total discounted applicants  | 6,213            | 2,379              |
| 'Unmet demand' in Victoria, 2006   | 4,255            | 8,089              |

Source: AVCC Report on Applicants for Undergraduate University Courses, 2005 and 2006 and VTAC Annual Statistics, 2004–05 and 2005–06

Notes: \* Based on AVCC estimate

^ Based on actual rejection rates according to the Victorian Tertiary Admissions Centre (VTAC)

On this account, both estimates of 'unmet demand' (the AVCC's and ours) are highly conservative. In its calculations for the whole of Australia for the 2006 academic year the AVCC indicates that there were 184,869 offers extended by universities. Of these, 46,502 (25 per cent) were not taken up.<sup>22</sup> While not all of these 46,502 applicants can be regarded as serious prospects for higher education, this number (which must be added to the 14,200 the AVCC regards as 'unmet demand' for Australia in 2006)<sup>23</sup> is a better guide to the real situation.

The analysis so far has shown that there is a large and probably expanding gulf between employer demand for persons with higher education qualifications and the domestic supply. It also indicates that the immigration 'solution' is at best a partial one and in any case is effectively giving educational and employment opportunities to overseas persons that could have been given to young Australians. There is no shortage of young people of university age nor, as shown in our analysis of 'unmet demand', is there a shortage of those who would like to go to university, if it were made more accessible. Thus any solution to the problem must be about more than increasing the number of subsidised university places. It must also remove the impediments some young people face when considering enrolling in a university course.

### **WHY ARE YOUNG PEOPLE RELUCTANT TO TAKE ON UNIVERSITY TRAINING?**

In 2005 and 2006, universities in chorus began complaining that students were becoming more reluctant to either apply or accept university offers. This is confirmed in the AVCC figures for these two years, which show that both the numbers applying for university and the acceptance rate fell relative to earlier years. In 2004, the number of year 12 applicants nation-wide

was 114,962. By 2006 this number had fallen to 106,440 despite the fact that the number of year 12 students remained the same. In order to attract students, universities had to make more offers, including to some marginal students, with tertiary entrance scores in the 50 to 60 range.<sup>24</sup>

In our view, the explanation for this pattern is obvious. By 2005, the Australian economy had improved to the point where it was much easier for school-leavers and other young people contemplating university to find full-time employment. That they should be ambivalent about university is hardly surprising when one considers the evidence below about physical access and financial disincentives of university attendance.

### **Problems with physical access**

There is an increasing disarticulation between the location of university campuses and population growth areas, especially those located on the suburban frontiers of the major metropolises. Young people finishing secondary school in these areas often have few university choices if they are to continue living at home and are unwilling or unable to travel long distances. For example, for those living in Melbourne's booming South Eastern frontier suburbs, Monash Clayton and to a limited extent the smaller Monash campuses at Berwick and Peninsula are the only physically accessible campuses, that is campuses within 30 kilometres of most residents. Moreover, entry to these campuses is restricted to applicants with relatively high tertiary entrance scores. University articulation rates among students from these areas are the lowest in Melbourne.<sup>25</sup>

Regional students also face serious access problems. In Victoria for example, more than one third of students from the Northern Wimmera (a particularly isolated area) did not take up the university offer made to them in 2005. The figures are

equally problematic for many other regional centres, with Wodonga, Mildura and Warrnambool all recording very low rates (28 to 33 per cent) of enrolment among successful university applicants.<sup>26</sup> Our view is that living costs are the main cause of this low acceptance rate. However, other factors, such as a limited range of courses in regional universities (and some of the smaller metropolitan campuses like Monash Berwick) as well as some reluctance on the part of regional students to enrol at a regional campus when they may be more interested in getting to the ‘big city’.

### **Student financial assistance**

Prospective students these days face a daunting financial outlook. They do so at a time when the number of entry level jobs available at the sub-professional level are relatively plentiful, thus highlighting the financial sacrifice university attendance implies. Only a minority of students are eligible for the Youth Allowance if they wish to move directly to university after completing high school. They also face a much higher HECS debt on completion of their course than was the case when the Coalition came to power in 1996.

The Youth Allowance is described as ‘a payment for young Australians who are studying, training, looking for work, or who are temporarily incapacitated’.<sup>27</sup> It was introduced in July 1998, replacing several other schemes. There are two basic problems with the Youth Allowance as it now stands. One is that too few students are eligible, and the other is that the allowance is very low. In the case of eligibility, there is a parental means test which removes all but students from the poorest families from access. In addition, the Coalition Government has pursued a policy of requiring students to be subject to a parental income means test until they reach 25, if still living at home. The only

way students can avoid the impact of this rule is to leave home or delay entry to university until they have earned enough money to be classified as ‘independent’. Students can qualify as ‘independent’ by earning \$17,667 over an 18-month period after leaving school.<sup>28</sup> As a result, many students do not qualify until they are in their second or third year of university. By 2003 just 37 per cent of full-time undergraduates aged 24 years or younger received any financial assistance from the Youth Allowance. Of those aged under 19, only 22 per cent were being assisted, down from 33 per cent in 1998.<sup>29</sup> Recipient rates for the period since 2003 have not been calculated; this is due to the Government’s unwillingness to provide data which separates information on university students from other Youth Allowance recipients.

As to the level of the Youth Allowance, it is low (currently \$229 per fortnight for persons aged 18 and over living at home, and \$348 per fortnight living away from home)<sup>30</sup> and upward adjustments over the past decade have been based on the Consumer Price Index. The Government has not initiated any research to see if the structure of student living costs in 2007 is the same as it was in the early 1990s when levels for assistance of this kind were set. In addition, the amount that students can earn before Youth Allowance payments are reduced is not only very low, it has also not changed since 1993!

The Government appears to have ignored two major AVCC-sponsored studies (in 2000 and 2007)<sup>31</sup> which showed that many university students are living well below the poverty line. It has also ignored the report of a Senate inquiry on the subject. Australian Democrats Senator Stott-Despoja was the driving force behind this inquiry in 2004–2005. The Inquiry made 15 recommendations, but the Coalition members of the committee

assented from eight of these. These included recommendations on reducing the age of independence, parental income thresholds, tax-free thresholds for student earnings, increased payments and five-yearly surveys of student support.<sup>32</sup>

### **Inequality of access to higher education**

Competition for university entry has increased (since the number of subsidised places has not kept pace with the number of year 12 completers) and the financial disincentives are strong. Thus it should come as no surprise that entry to university has become less equitable. Table 5 shows tabulations based on unpublished data prepared by the authors, which indicate that the share of bachelor degree enrollees attending Australian universities who come from those postcodes ranked in the lowest socio-economic quartile has declined. In 2002 the share was just 15.9 per cent (if opportunity had been equal, it would have been 25 per cent) compared with 38.7 per cent of those living the highest quartile of postcodes. By 2005 the share of the low

quartile had fallen to 15.4 per cent and that of the high quartile had increased to 38.9 per cent.

Another indication of the increasingly unequal access to higher education in Australia is the decline in opportunity for students from government-sector secondary schools. The situation in Victoria illustrates the point.

Table 6 shows that the share of university offers going to government school students in Victoria fell by 4.3 percentage points between 1997 and 2005. This decline is steeper than the overall decline in student enrolments in the government secondary schools. At the same time the independent schools share of university offers increased by 5.1 percentage points, a faster rate than its increase in the share of all year 12 applicants (3.5 percentage points).

### **GOVERNMENT PROMISES TO INCREASE UNIVERSITY PLACES**

Our analysis indicates that currently there are simply not a sufficient number of subsidised university places. As noted, the

**Table 5: Share (per cent) of bachelor degree enrolments among students in Australia by SES, 2002 to 2005**

|  | 2002    | 2003    | 2004    | 2005    | Change 2002 to 2005 |
|--|---------|---------|---------|---------|---------------------|
| High SES (top quartile)                    | 38.7    | 38.8    | 39.0    | 38.9    | 0.2                 |
| Middle SES (includes middle two quartiles) | 43.5    | 43.6    | 43.6    | 43.6    | 0.1                 |
| Low SES (bottom quartile)                  | 15.9    | 15.7    | 15.5    | 15.4    | -0.5                |
| SES unknown                                | 2.0     | 1.9     | 1.9     | 2.1     | 0.1                 |
| Total                                      | 100.0   | 100.0   | 100.0   | 100.0   | 0.0                 |
| Total number                               | 515,820 | 515,611 | 514,014 | 518,990 | 3,170               |

Source: DEST, customised data sets 2002 to 2005

Notes: Figures may not add to 100.0 per cent due to rounding

Socio-economic status (SES) is measured by postcode using data from the 2001 Census of Australian Population and Housing

Coalition Government has made a series of announcements indicating that it will increase the number of new university starting places by 15,000 over the next few years. But do these announcements really add up to a significant increase in opportunity for domestic students? They look impressive, but should be considered in the light of the extent of ‘over enrolment’ in Australian universities up to 2002. At that time, Australian universities were permitted to ‘over enrol’—if they were prepared to accept the HECS component of the fees students paid (a fraction of the total that would be received for a subsidised student) as their total payment. A number of universities found this option appealing. For a few years there was an expansion of university places. The peak was in 2002 when there were 32,732 over enrolled ‘non-research’ places,<sup>33</sup> of which the great majority

were undergraduate places.<sup>34</sup> Since 2003 this number has been wound back as a consequence of deliberate Government policy. The outcome is evident in Table 7. According to the available data, by 2005 the number of over enrolled places had shrunk to 2,498.

The 15,000 new places have to be compared with the loss of the ‘over-enrolled’ places. In order to do this, the ‘over-enrolled’ places shown in Table 7 must be converted to an annualised figure. According to the Government’s funding formula, which in effect presumes that 25 per cent of students will be ‘lost’ between each year of the course, the 32,732 figure for 2002 amounts to about 12,000 starting places.<sup>35</sup> In other words, the gain of places announced by the Government is only marginally greater than the loss of the over enrolled places. It is true that in some fields,

**Table 6: Share of VTAC applicants and of university offers by school sector, Victorian year 12 applicants, 1996 to 2005**

| Year                | Share of VTAC applicants (per cent)   |          |             |       | Total Count |
|---------------------|---------------------------------------|----------|-------------|-------|-------------|
|                     | Government                            | Catholic | Independent | Total |             |
| 1996                | 54.4                                  | 24.6     | 21.0        | 100.0 | 37,371      |
| 1998                | 53.1                                  | 24.3     | 22.5        | 100.0 | 35,138      |
| 2000                | 52.7                                  | 25.2     | 22.1        | 100.0 | 37,593      |
| 2002                | 52.9                                  | 24.5     | 22.6        | 100.0 | 41,223      |
| 2004                | 51.4                                  | 24.2     | 24.5        | 100.0 | 40,479      |
| Change 1996 to 2004 | -3.1                                  | -0.4     | 3.5         | 0.0   | 3,108       |
|                     | Share of university offers (per cent) |          |             |       |             |
| 1997                | 47.5                                  | 25.3     | 27.2        | 100.0 | 24,284      |
| 1999                | 47.5                                  | 25.0     | 27.5        | 100.0 | 23,061      |
| 2001                | 46.8                                  | 25.4     | 27.7        | 100.0 | 24,227      |
| 2003                | 44.6                                  | 24.9     | 30.4        | 100.0 | 23,106      |
| 2005                | 43.3                                  | 24.5     | 32.3        | 100.0 | 23,531      |
| Change 1997 to 2005 | -4.3                                  | -0.9     | 5.1         | 0.0   | -753        |

Source: VTAC unpublished 1996–97 to 2004–05

notably health, there have been significant net gains. But in most other fields there has been no gain at all.

There were two other initiatives at the time of the May 2007 budget announcements which conceivably could break this impasse. The first was the removal of constraints on universities regarding the enrolment of full fee-paying domestic students. Universities can now offer an unlimited number of places to domestic full fee-paying students (as they can already do for overseas full fee-paying students) as long as they first fill their allocation of commonwealth-subsidised places for domestic students. However, it is unlikely that this initiative will significantly increase enrolments in higher education because relatively few domestic students have been prepared to take on this financial burden at the undergraduate level.

The second announcement was that universities are now permitted to over enrol beyond their stipulated subsidised places target by up to five per cent. Those universities which decide to do so will receive the same quantum of funding from the Government and from HECS payments as they would for any other domestic student. On the face of it this could lead to a significant increase in the number of

domestic enrolments. The Government has allocated \$211.2 million over four years to 'give universities greater flexibility to manage student numbers and course mixes to respond to student demand and address skill needs'.<sup>36</sup>

It is doubtful whether many universities will take up this offer and the Government seems to concur because the funding it has allocated will only cater for a few thousand extra places, which is well short of an overall five per cent growth. In the case of regional and outer suburban universities, most will find it difficult to fill additional places anyway since—for the reasons outlined above—students are not thronging to go to these universities. In the case of the prestigious metropolitan universities, there will be some reluctance to over enrol because the funding received for domestic students is only a fraction of what these universities would receive should they enrol overseas or domestic full fee-paying students. For example, the annual fee at the University of Melbourne for a domestic full fee-paying undergraduate Commerce student (\$19,150) is almost double the amount that the university receives in funding for a commonwealth-supported place in the same course (about \$10,000).<sup>37</sup> Therefore, to the extent universities like

**Table 7: Non-research domestic university places, by funding status, Australia, 2001–2005**

|                  | 2001    | 2002    | 2003    | 2004    | 2005    |
|------------------|---------|---------|---------|---------|---------|
| Fully funded     | 390,270 | 392,955 | 394,970 | 396,030 | 409,393 |
| Actual enrolment | 415,566 | 425,687 | 422,862 | 414,107 | 411,891 |
| Over-enrolment   | 25,296  | 32,732  | 27,892  | 18,077  | 2,498*  |

Source: Higher Education Reports 2001 to 2004–05

Note: \* The 2,498 (over enrolments for 2005) seems low given the time it takes for over enrolments to work through the system. However, this is the figure produced by DEST in response to a question from Senator Wong: 'Which higher education providers did not have their student enrolments meet their target load during 2005. For each provider what was the variance (sic) between actual and target load?' No other figures have been made available in DEST reports since 2004–05.

Melbourne do have any spare teaching capacity there is a strong financial incentive to enrol full fee-paying students, whether local or overseas.

The decision in the May 2007 Budget to allow universities more flexibility in course provision is a welcome move. Over the past few years, universities have had little or no freedom to adjust their course offerings to meet student demand. The reason that this sclerotic arrangement has been in place is itself a consequence of Federal Government policy. The system has been micro-managed from Canberra. In principle, universities are now free of these constraints. The new arrangements are positive because universities might now be able to adjust their offerings more readily to meet the changing priorities and needs of prospective students.

## CONCLUSION

The Coalition Government's measures to address the growing disjunction between demand for university-trained persons and domestic higher education capacity fall far short of what is required. The Government and the AVCC have deflected attention from the issue by claiming that 'unmet demand' has been 'met' and that a significant number of new university places have been created. These assertions hide a serious shortfall in domestic higher education training. Over the period 1995–96 to 2005–06, there has been little or no growth in domestic undergraduate commencements, but massive growth in persons employed in the managerial, professional and associate professional occupations (56, 37 and 39 per cent respectively).<sup>38</sup>

For the future, assuming that structural change in the economy generates a similar growth in demand for such occupations, it is essential that there be parallel growth in domestic training in higher education. This implies a need for additional subsidised places many times larger than have been

offered in the Coalition Government's recent announcements and its May budget decisions. It will also require a frontal attack on the disincentives students contemplating attending university now face. Young people coming from backgrounds where there is little tradition of higher education attendance and where parental income would be stretched to provide for their living expenses are hardly likely to flock to university when the economy is booming and they have to forgo substantial immediate income in hand. This issue is ignored by the current Federal Government. It has to be addressed if Australia is to overcome the mismatch between university training and employer demand for workers with this training.

For those who know about the university enrolment situation, these are obvious conclusions. Why then aren't Australia's Vice-Chancellors and their representative body making this case? Their preoccupation has been with increasing revenue per-student. This is because successive Australian Governments have reduced the return from the real government payment per student to the point where the domestic student operation has to be subsidised by other sources of revenue. This has come primarily from full fee-paying overseas students and to a lesser extent, domestic full fee-paying students. Thus, from the point-of-view of the individual university, the priority is additional revenue per student, not extra government subsidised students. In this environment, universities are better served by taking on more full fee-paying students. This helps explain the rise in the share of overseas student enrolments to all university enrolments noted in Table 1, from 18.7 per cent in 2001 to 25 per cent in 2005. Somebody else has to speak for the larger community interests in expanding higher education in Australia.

## References

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- <sup>2</sup> AVCC, *Report on Applications for Undergraduate University Courses*, April 2007, p. 3
- <sup>3</sup> D. Illing, 'Enough student places, say VCs', *The Australian*, 17 January, 2007
- <sup>4</sup> DEST, *Higher Education Report*, 2005, p. 31
- <sup>5</sup> Hon. Julie Bishop, Media Release, 'Skills for the Future—Now', 12 October, 2006
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- <sup>7</sup> B. Birrell and V. Rapson, *Clearing the Myths Away: Higher Education's Place in Meeting Workforce Demands*, Centre for Population and Urban Research, Dusseldorp Skills forum, October 2006, p. 12
- <sup>8</sup> A. Norton, *Mismatch: Australia's Graduates and the Job Market*, Centre for Independent Studies, March 2007, pp. 4–7
- <sup>9</sup> Australian Bureau of Statistics (ABS), *Education and Work*, catalogue no 6227.0, May 2006, Table 12
- <sup>10</sup> DIAC, *Population Flows: Immigration Aspects 2005–06 edition*, 2007, p. 21
- <sup>11</sup> *Education and Work*, 2006, op. cit.
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- <sup>13</sup> B. Birrell, S. Richardson and L. Hawthorn, *Evaluation of the General Skilled Migration Categories*, Department of Immigration and Citizenship (DIAC), 2006, pp.76–77
- <sup>14</sup> Department of Employment Science and Training (DEST), 'Award Course Completions' in Higher Education Statistics, 2005 <[http://www.dest.gov.au/sectors/higher\\_education/publications\\_resources/profiles/students\\_2005\\_award\\_course\\_completions.htm](http://www.dest.gov.au/sectors/higher_education/publications_resources/profiles/students_2005_award_course_completions.htm)>
- <sup>15</sup> *Education and Work*, 2006 op. cit., Table 20
- <sup>16</sup> *ibid.*, Table 12
- <sup>17</sup> Figures from the ABS *Education and Work* (2000 Table 14 and 2006 Table 12) show that the proportion of people in Managerial, Professional and Associate professional occupations holding a Bachelors Degree or higher rose from 43.6 per cent in 2000 to 48 per cent in 2006.
- <sup>18</sup> According to the AVCC *Report on Applications for Undergraduate University Courses*, 'an "eligible applicant" is an applicant who has gained an Interstate Transfer Index (ITI) of 53.00 or better' and 'all "other" applicants (non-Year 12 applicants)', 2007, p. 2.
- <sup>19</sup> AVCC, *Report on Applications for Undergraduate University Courses*, May 2006, p. 13
- <sup>20</sup> The rejection rate for only Victorian-based applicants is used here. Accounting for the rejection rate of interstate applicants (which is generally much higher than home-state applicants) would not be an accurate indication of rejection because this group is already discounted from the unmet demand calculations.
- <sup>21</sup> Victorian Tertiary Admissions Centre (VTAC), *Annual Statistics*, 2005–2006 and 2004–2005, <<http://www.vtac.edu.au/statistics/index.html>> Table B4
- <sup>22</sup> AVCC, 2006, op. cit., p. 4
- <sup>23</sup> AVCC, 2006, op. cit., p. 3
- <sup>24</sup> *ibid.*, pp. 8–9
- <sup>25</sup> D. Edwards, 'Rising competition for university in Melbourne and its impact on disadvantaged students', paper presented at The Australian Sociological Association Conference, Perth, December 2006, pp. 8–9
- <sup>26</sup> VTAC 2004–2005 unpublished
- <sup>27</sup> Centrelink, 'Youth Allowance brochure', 2003, p. 24
- <sup>28</sup> As at July 2005, see Centrelink *Information: a guide to payments and services 2006–07*, Canberra, 2007, p. 52.
- <sup>29</sup> I. Dobson, 'Youth allowance: more please', *People and Place*, vol. 12, no. 3, 2004, p. 54
- <sup>30</sup> Centrelink, *A guide to Australian Government Payments*, March 20 to June 30, 2007, p. 14
- <sup>31</sup> M. Long and M. Hayden, *Paying their Way: A Survey of Australian Undergraduate University Student Finances*, 2000, AVCC, Canberra, 2001; R. James, E. Bexley, M. Devlin and S. Marginson, *Australian University Finances 2006*, AVCC, Canberra, 2007
- <sup>32</sup> Senate Employment, Workplace Relations and Education References Committee, *Student Income Support*, Parliament of Australia, Canberra, 2005
- <sup>33</sup> 'Non-research' places are all undergraduate places and all postgraduate coursework places. Therefore courses such as Masters by Research and PhD are not included in this count. This definition of places has been used because it allowed for a longer time series comparison than available for other measures.
- <sup>34</sup> DEST, *Higher Education Report for the 2003–2005 Triennium*, pp. 49–50
- <sup>35</sup> The Government's funding formula presumes a 25 per cent drop out rate in each of years one through to four. In order to calculate the annualised starting intake, the over enrolment for the given year is divided by 2.73.
- <sup>36</sup> *ibid.*, p. 7
- <sup>37</sup> VTAC, <[www.vtac.edu.au/courses/searchuni.html](http://www.vtac.edu.au/courses/searchuni.html)>, DEST, *Information for Commonwealth Supported Students*, Canberra, 2007 p. 15 and Australian Government, *Realising Our Potential*, May 2007, p. 8.
- <sup>38</sup> Birrell and Rapson, 2006, op. cit., p. 12