



The rhetoric and the reality of Job-ready Graduates

What do we know about growth
in student opportunities
after one year?



Mark Warburton
Honorary Senior Fellow
Centre for the Study of Higher Education
University of Melbourne
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Executive Summary

One year ago, the Government legislated major changes to higher education funding arrangements, marketed as *Job-ready Graduates* (JRG). At the time, it was believed there were slightly more than 626,000 Commonwealth supported student places (CSPs) in Australia's higher education system.

The public and the Parliament were told that there would be 27,000 extra domestic student places this year and 49,000 by 2023. They were told the changes should be implemented to support Australia's economic recovery following the COVID-19 induced economic downturn and that, if this didn't occur, it would risk scarring a generation.

The reality of JRG is that the Government hasn't provided the level of subsidy over the next several years to create the promised extra student places to support Australia's economic recovery. The rhetoric of JRG has proven to be hollow.

An increase in student places was one of the major reasons for stakeholders to accept that the average student contribution for a place should increase and the average government subsidy should decrease. If the rhetoric about the number of student places to be created was real, then every year of the current decade there should be more opportunities for working age Australians to undertake a higher education than had ever been the case.

Under JRG, the Government doesn't fund a set number of student places. It sets a maximum amount of subsidy that it will pay to a university for student places. Each student place attracts a set amount of subsidy specified in legislation and which varies depending on its discipline. Each university is free to decide the number and mix of student places it is prepared to provide, but it is paid the subsidy for student places only up to the maximum amount set for it by the Government. If it provides student places beyond its subsidy cap, it receives only the student contribution and this would usually be insufficient to cover costs.

At the time JRG was announced, the Government did not provide details on how it had produced its estimate of the number of student places to be created. It remains a mystery, but the argument is now academic. University funding agreements are publicly available, and we know the maximum level of subsidy that may be paid to each university from 2021 to 2023. We also know how its maximum subsidy level is proposed to increase each year to 2030. Using average subsidy rates across the system, we can estimate how many student places might be provided. It reveals a very different picture from the rhetoric of JRG.

JRG appeared to radically change the Government's attitude to funding student places from that which it adopted during the previous three years. In 2018 and 2019, the Government imposed a funding freeze and, in 2020, subsidies didn't increase by enough to compensate for inflation. This effectively reduced the number of student places that the Government subsidised. By 2019, there were 27,800 places in the system from which the Government was withholding over \$322 million in subsidy. Universities were bearing that cost when the pandemic hit in 2020 and started to adversely affect their international students and revenue.

Hidden in the detail of the transition to JRG is a further source of subsidy shortfall that will adversely affect universities' ability to provide student places into the future. 'Grandfathered students' are students who commenced their courses before JRG started in 2021. Those who would otherwise pay higher student contributions do not have to do so. To ensure funding for their student place is not severely cut, the old, higher Government subsidy rate continues for them. In reality, there is inadequate allowance for grandfathered students in university subsidy limits. The shortfall is likely to be in the order of \$300 million over the period these students take to complete their courses, with around \$200 million relating to the period from 2023 to 2025.

The amount of subsidy made available by the Government in 2021 is not sufficient to provide subsidies for any additional student places. The combined effect of the Government's changes since 2018 is that, in 2021, the Government has under-delivered on its promised subsidy level by the equivalent of 39,000 student places. There is no additional subsidy for the 27,000 additional student places promised under JRG and 12,000 student places in the system since 2019 remain unsubsidized.

While the subsidy shortfall reduces over time, in 2024 the government is still subsidising around 14,000 fewer student places than it promised. The Government would need to provide in the order of \$1.1 billion more in subsidy from 2021 to 2024 to honour the claims it made to the public and the Parliament.

JRG promised to grow the amount of subsidy for student places over time, recognizing the additional demand for higher education that would arise in areas of high population growth and from the Costello Baby Boom generation reaching university age.

One measure of the opportunity to undertake higher education is the number of student places compared to the size of the working age population. From 2014 to 2017, prior to the Commonwealth Grant Scheme (CGS) freeze, there were around 38.5 student places for every 1,000 people in the working age population. The additional student places promised by the Government should have resulted in this benchmark being exceeded every year of the decade. The actual amount of subsidy being provided by the Government will not result in the number of student places reaching this benchmark until 2025.

These assessments are optimistic. If the Government is successful in encouraging students into the 'job-ready' disciplines for which it is paying higher than average subsidy levels, it will take longer for subsidies to grow to the extent required to achieve the 2014 to 2017 benchmark level for student places and even longer to achieve the Government's promised number of student places.

The Government explicitly set different student contribution amounts to influence student course choices. It was trying to encourage students into disciplines that it considered would make them job ready. If students respond as the Government wishes, they will shift from disciplines with generally low Government subsidy levels into disciplines with higher Government subsidy levels. If successful, this policy would increase the average cost of subsidy per place and reduce the number of subsidised student places that universities could provide within their maximum subsidy level.

The pandemic was creating major challenges for universities, affecting the financing of their teaching courses and research programs. JRG created further challenges, by reducing overall financing of domestic students by over 5 per cent. Government subsidies were reduced by nearly 15 per cent and student contributions increased by nearly 8 per cent.

If the Government was genuinely concerned to ensure that universities were able to support Australia's economic recovery, it could have put in place a policy that was both more effective and simpler than JRG. As a first step, it could have ensured that it provided the subsidies to support the student load already in the system in 2019.

A further step could have been to increase subsidy levels so that from 2021 to 2023 working age Australians have the same opportunity to undertake higher education that they had from 2014 to 2017. Long term, the rate of growth in subsidies may restore these opportunities, but that time is two elections away. By then, the Government of the day may be giving priority to debt reduction. It will not require any legislative change if the Government decides to abandon its growth funding policy.

The Government has not delivered on its JRG rhetoric.

1 Introduction

The Government's Job-ready Graduates (JRG) higher education changes were legislated one year ago. At the time, it was believed there were slightly more than 626,000 Commonwealth supported student places (CSPs) in Australia's higher education system. The public and the Parliament were told that JRG would add 27,000 extra student places this year and 49,000 by 2023. They were told the changes should be implemented to support Australia's economic recovery following the COVID-19 induced economic downturn and, that if this didn't occur, it would risk scarring a generation.¹

The time from release of the discussion paper to final passage of the legislation by the Parliament was exactly four months. Throughout this period, a myriad of minor changes was announced.² The tight timeframe and the complexity of the changes meant that it wasn't possible for anyone to assess the future impact of JRG. The sheer number of changes and transitional arrangements made it almost impossible to understand. Important matters of detail were either unclear or withheld.

That is no longer the case. Individual university funding agreements specifying the student subsidies available to universities for 2021 to 2023 are publicly available on the Department's website. Legislative guidelines clarifying policy are in place. The 2019 student data on which the transition from pre-JRG to JRG arrangements was modelled has now been released.

This paper looks at whether the promised additional student places have been delivered.

2 The core change of JRG

Much of the public commentary about JRG concerned its changes to the funding of different disciplines. Students in law, economics, accounting, the humanities, creative arts, behavioural sciences, social studies and human welfare studies and services were to contribute more to the cost of their studies and the Government would lower the subsidy it pays. In other cases, student contributions would reduce and government subsidies increase. The rationale was to encourage students into disciplines that the government considered would make them job ready.

Underlying these JRG changes is the wider issue of who pays for the cost of higher education. In 2019, there were 627,545 CSP places for domestic students funded by a combination of Government subsidies and student contributions and 93,563 domestic full fee-paying non-research student places. When JRG is fully implemented, subsidies for these CSP student places will reduce on average by nearly 15 per cent and student contributions will increase by nearly 8 per cent. Combined, this will result in university revenue for CSP students being reduced on average by over 5 per cent.

Table 1: Funding of 2019 CSPs, before and after JRG, no funding caps (\$2021)

	Student contributions	Govt subsidies	Total resourcing (excluding loadings)
Pre-JRG scheme	\$5,529,794,932	\$7,534,909,061	\$13,064,703,993
JRG scheme	\$5,955,016,951	\$6,408,800,611	\$12,363,817,562
Overall change	+7.7%	-14.9%	-5.4%

Sources: The results in this table are derived using the data in Appendix 4 of this report. Current CGS subsidy and student contribution rates were sourced from the Higher Education Support Act (2003), with 2021 values of pre-JRG rates not available in that Act taken from Australian Government (2020a).

¹ Senate Standing Committees on Education and Employment (2020b); Tehan, D (2020b); Tehan, D (2020f)

² A summary of the Ministerial announcements of changes to the original JRG package is at Appendix 1 and a summary of what is known about changes to secure the Senate passage of the JRG legislation is at Appendix 2.

Laid over the top of this core change were complex transitional arrangements and many minor changes that put additional amounts of subsidy into the system and took out other amounts of subsidy. To get agreement to its core change to increase student contributions and reduce government subsidies, the Government appears to have claimed that every dollar of subsidy it puts into the system contributes to creating student places and every dollar that has or will come out of the system makes no difference.

The Government had been cutting back on the subsidies for student places since 2018 when it placed a cap in total dollars on the maximum amount of subsidy that could be received by a university, regardless of how many student places it provided. The cap didn't increase for inflation. By 2019, the Government had effectively removed over \$322 million in subsidy for more than 27,800 student places being provided by universities. For ease of reference, this period will be referred to as the 'CGS freeze'. It is not clear if the situation became worse in 2020, because data for that year hasn't yet been released.

It was the imposition of these subsidy caps that gave the Government leverage with Vice-Chancellors and other stakeholders to pursue the core change. It had tried and failed on multiple occasions between 2014 to 2017 to increase student contributions and lower the amount of subsidy that it paid.³ Slowly over time, the subsidy cap increased pressure on stakeholders to publicly support change to the funding system.

JRG brought about the permanent change. It officially ended the demand driven system put in place under the Gillard/Rudd Governments. It took the subsidy caps, known as Maximum Basic Grant Amounts (MBGAs), which it had introduced in 2018 and made them a permanent structural feature of the system of funding student places. Prior to JRG, they had not been central to the funding arrangements. They had been a sort of 'emergency handbrake' to be used in a time of financial crisis.

The new policy has MBGAs playing a central role. They set the 'funding envelope' within which universities are to operate. Universities are meant to be free to decide how many student places they provide and in what disciplines. Their student places are fully subsidised until they reach the cap. They don't get subsidies for any student places in excess of the cap.

Dan Tehan, the education minister at the time, told us repeatedly that among the major benefits of the new system would be his ability to create new student places and to ensure subsidy caps were indexed for inflation. Under JRG however, the Minister delivers these benefits by increasing the subsidy cap. It is actually universities that decide the number and mix of student places which are provided.

Ultimately, it is the aggregate level of university funding caps that determines the number of student places that are subsidised. Whether JRG provides any new student places rests on what the Government has done and will do with MBGAs.

3 The rhetoric of more student places

The Government argued that one of the major benefits of JRG was that there would be more subsidised student places. It promised a lot of student places initially and, during the course of the Parliamentary debate, it promised even more.⁴ To understand the magnitude of the promise, and to assess the extent to which it is being delivered, requires some perspective on the current scale of domestic higher education.

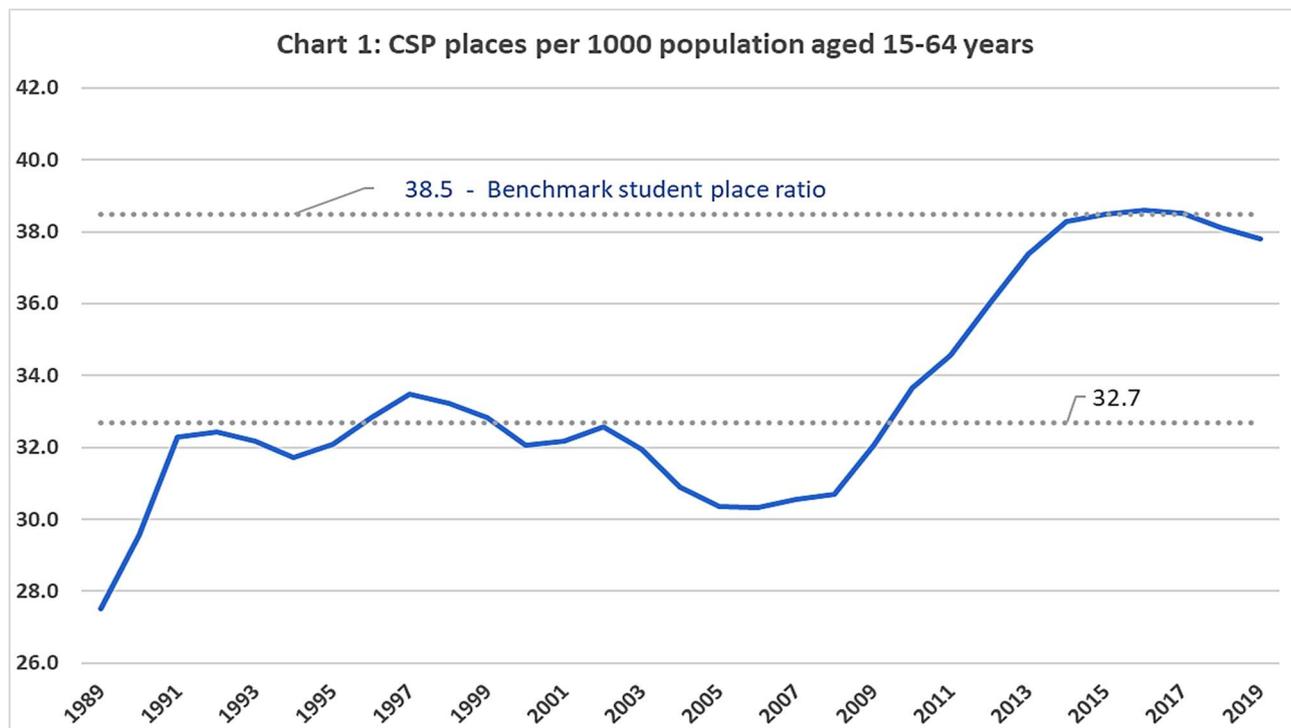
Under the demand driven system, subsidised student places initially grew rapidly and then started to plateau around 2014. From 2014 to 2017, the number of subsidised student places grew by around 1.5 per cent a year from 597,000 to 623,000. The system was relatively stable in size compared to the working age population. As highlighted in Chart 1, it was providing around 38.5 student places for every 1,000 people of working age during this four-year period.⁵

³ The two main packages were Australian Government (2014) and Australian Government (2017) but there were attempts to modify each to secure Parliament's agreement.

⁴ A summary of the material released over time on the number of additional CSP student places to be generated by the package is at Appendix 3.

⁵ There are various definitions of the working age population, which often depend on the context. The definition used in this paper is the same as that used by the Australian Bureau of Statistics. The COVID-19 pandemic is reducing Australia's expected population growth, including its working age population growth. The Government's 2021-22

This will be referred to as the 2014-2017 benchmark ratio throughout this paper. It is one way of setting a benchmark for a system that would provide a stable level of opportunity for Australia’s working age population.



Sources: Australian Bureau of Statistics (2019) – for population from 1989 to 2015; Australian Bureau of Statistics (2021) – for population from 2016 to 2019; Senate Standing Committees on Education and Employment (2018) – for CSPs from 1989 to 2000; Department of Education, Skills and Employment (2021c) - for CSPs from 2001 to 2019.

When the Government introduced funding caps, universities cut their commencing student places. These declined from 231,255 in 2017 to 225,749 in 2019. Despite this, the number of student places continued to grow due to the pipeline of students from earlier years. By 2019, there were 627,545 places, providing 37.8 places for every 1,000 working age people.

Under JRG, an extra 27,000 student places in 2021 (excluding short course places) and 49,000 places by 2023 were to be created. The Government also claimed that student places would continue to increase indefinitely under its proposed formula for growing subsidy levels.

The Government’s promise, if implemented, would result in there being more student places for every working age person than had ever been the case under the demand driven system. This can be seen in Table 2. In 2021, the Government’s promise of 27,000 student places is larger than the additional 23,733 places required to achieve 38.5 student places per 1,000 working age population.

The Government effectively claimed that it would exceed this benchmark every year over the next decade. Later in this paper, the amount of subsidy actually delivered by the Government will be compared against the subsidy required to support the Government’s promised extra student places and to support achievement of this benchmark.

Budget and the 2021 Intergenerational Report released in June 2021 used revised estimates. Simple approaches to producing working age population estimates comparable with those being used by the Government were explored. The details of this exploration and the estimates being used in this paper are in Appendix 10.

4 Keeping past savings and the allowance for grandfathered students

The factors reducing subsidy levels were not given any profile by the Government during the public debate. These savings come from two sources. The major source of subsidy savings is that already yielded by stealth through introducing funding caps in 2018. A more minor source of savings is an inadequate allowance for grandfathered students.⁶

Table 2: Places to achieve benchmark in relation to working age population and promised JRG places

Year	Total places at benchmark level	Additional places required to achieve benchmark (Column 1 minus 627,545 places from 2019)	Extra places promised under JRG*
2020	643,819	16,274	
2021	651,278	23,733	27,000
2022	657,427	29,882	37,000
2023	664,223	36,678	49,000
2024	669,597	42,052	54,000
2025	675,613	48,068	62,000
2026	680,148	52,603	73,000
2027	685,306	57,761	81,000
2028	689,220	61,675	87,000
2029	694,091	66,546	92,000
2030	699,945	72,400	96,000

* These figures include the 12,000 commencing National Priority Places which terminate in 2024, but do not include the 50,000 short course places the Government claims it is funding in 2021.

Sources: Senate Standing Committees on Education and Employment (2020b) for promised additional places. See Appendix 10 for details on how the working age population was derived for the purposes of this paper.

Both these sources of subsidy withdrawal are built into the transitional arrangements which operate from 2021 to 2023. The process of transitioning university MBGAs for higher education courses from pre-JRG to JRG arrangements delivers these savings. This process was always an opaque aspect of the Government's proposals.

There were multiple steps in the process for transitioning MBGAs to their new JRG amounts. The Department issued a Technical Note that described how to construct a spreadsheet to calculate the new MBGAs, but it didn't provide a strong conceptual basis for understanding the process. It is best understood as having four components:

1. reducing MBGAs from their 2020 value to take account of the new lower rates of subsidy under JRG (in some cases, this also involved adjustments for the special student place allocations that occurred prior to the 2019 election)
2. providing an allowance in MBGAs for grandfathered students who continue to attract the higher, pre-JRG rate of subsidy
3. increasing the resulting MBGAs by the pre-COVID rate of inflation, rather than applying the standard CPI indexation arrangement of HESA
4. increasing MBGAs by the amount required for any new student places provided under JRG.

⁶ In this paper, 'grandfathered student' is used differently from how it is defined in the legislation. In the legislation a grandfathered student is any continuing student and subsidy rates are separately specified for them. However, the subsidy rates are the standard JRG rates except for discipline groupings with higher JRG student contributions. This is done for technical legislative drafting reasons. The approach in this paper is consistent with the legislation and makes it easier to explain the rationale behind arrangements.

The first step was to drop the value of the MBGA so that it only subsidised the same number of student places as prior to JRG. We saw in Table 1 that the full subsidy value of the student places provided in 2019 would be around \$7.5 billion in 2021. Given the Government had withdrawn subsidies for around 27,800 places through funding caps, if there had been no change to the system it would have been paying only around \$7.2 billion in subsidy for these places in 2021.

Before the Government could create any additional student places, it would have to replace the subsidy for these 27,800 student places. It didn't do that. In 2021, the new JRG subsidy value of 2019 student places should be around \$6.4 billion, but the Government only allowed around \$6.1 billion for these student places in university MBGAs.

The second step was to provide an allowance for 'grandfathered students'. Grandfathered students are those students who commenced their study before JRG and are undertaking units of study in which they would otherwise be required to make a higher student contribution under JRG. The grandfathering of these students means they do not have to pay these higher student contributions. The legislation allows them to complete their qualification on the lower pre-JRG student contribution. It also provides for the old, higher subsidy rates to continue to be paid, ensuring that the total revenue for their student places is not severely cut.

Universities, however, cannot receive the old higher subsidy rates unless there is allowance for them to do so in their MBGAs. If there is insufficient allowance in a university's MBGA, universities will experience an average subsidy shortfall of \$4,556 for every grandfathered student for which there is no allowance. In 2019, there were 264,785 student places in grandfathered disciplines (see Appendix 4), and they comprised around 42 per cent of the 627,545 places provided in that year.

The grandfathering arrangements have no end date and so students have plenty of time to complete their qualifications and those studying part-time are not disadvantaged. In contrast, universities have been disadvantaged because the Government assumes that all these students will have completed by the end of the transition period (i.e. before 2024). Based on completion trends, we know that 34 per cent of students who commenced in 2020 will not have completed by the end of 2023. Thus, the allowance in their MBGAs is terminated prematurely, based on an assumption that we know is not correct.

This issue is examined in Appendix 5, where an estimate is made of the MBGA allowance required to adequately cover grandfathered students.

Table 3 compares the Government's methodology for providing the grandfathering allowance in MBGAs with an estimate of what actually would be required. The shortfall in the MBGA allowance for grandfathered students is likely to be in the order of \$300 million over the period these students take to complete their courses, with around \$200 million of this occurring from 2023 to 2025. The significance of this will be greater for universities whose students take longer to complete, such as those with large numbers of part-time students.

The third step was the application of pre-COVID rates of inflation to MBGAs. This was one of the many 'concessions' made by the Government during the Parliamentary debate. Most of these concessions provided little benefit to the sector and some provided virtually none.

Table 4 compares pre-COVID rates of inflation with standard CPI indexation under HESA. It shows that the concession provides only an additional 1.4% increase in funding in 2022 and an estimated 0.4% in 2023.

The fourth step was to increase MBGAs by the amount required for any new student places. It was extremely difficult to understand the Government's claims about the number of additional student places it was creating during the public debate on JRG. There didn't seem to be enough subsidy to be creating those student places. That debate is now somewhat academic. In the next section, I examine the outcome based on the actual MBGAs in the funding agreements for universities which cover the entire three-year transitional period from 2021 to 2023.

Before moving to that section, it is useful to summarise the results of the first three steps. These are presented in Chart 2. It compares the total of the MBGAs set by the Government for all higher education providers (orange line) with the total for MBGAs that would be required to subsidise the number of student places that existed in 2019 (blue line).

Table 3: Comparison of methodologies for providing an MBGA allowance for grandfathered students

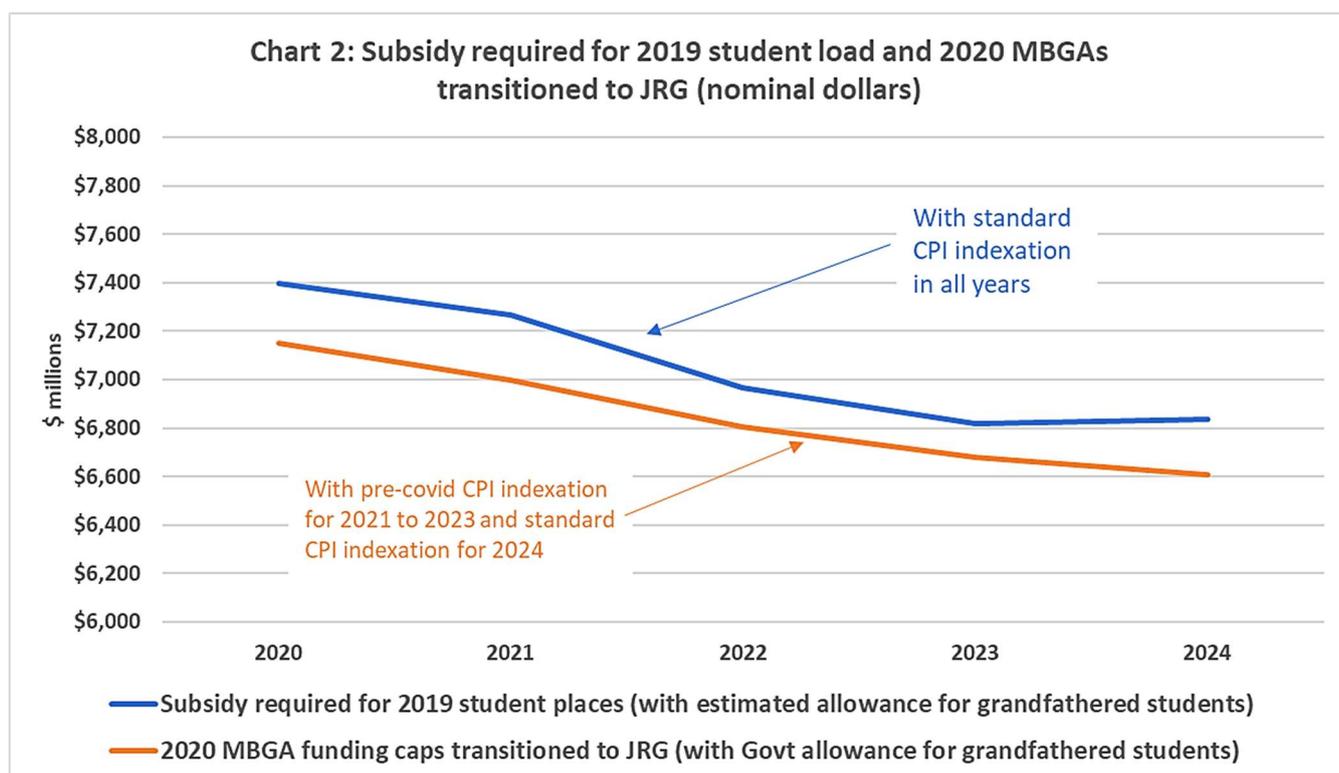
	2021	2022	2023	2024	2025
Government methodology					
Share of discipline grouping with MBGA allowance for grandfathered students	63%	36%	15%	0%	0%
Student places with MBGA allowance for grandfathered students	166,814	95,322	39,718	0	0
Allowance for grandfathered students (\$m)	\$760.0	\$438.0	\$185.9	\$0	\$0
Author estimate					
Student places requiring MBGA allowance for grandfathered students	171,534	99,785	46,022	24,559	11,927
Required allowance for grandfathered students (\$m)	\$781.5	\$458.5	\$215.4	\$117.3	\$58.1
MBGA funding shortfall for grandfathered students (\$m)	\$21.5	\$20.5	\$29.5	\$117.3	\$58.1

Source: Department of Education, Skills and Employment (2020d) and author estimates.

Table 4: Pre-covid indexation for 2021 to 2023 compared to standard HESA indexation for 2021 to 2024

	2020	2021	2022	2023	2024
Standard CPI indexation (HESA)	1.8%	1.8%	0.9%	1.9%*	2.0%*
Pre-covid indexation		1.8%	2.3%	2.3%	

Sources: Department of Education, Skills and Employment (2021b), Reserve Bank of Australia (2021). Figures marked with an * are based on Budget estimates of inflation for 2021-22 (1.75%) and 2022-23 (2.25%) - see Australian Government (2021a). Note that under HESA, inflation in the 2022 calendar year is used to produce 2024 subsidy and student contribution rates.



What the chart clearly reveals is that the process of transitioning MBGAs ensured that past savings were retained. There continues to be insufficient subsidy to cover the student places that existed in 2019. While pre-COVID indexation has modestly reduced the subsidy shortfall, the benefit has been almost undone by the inadequate allowance for grandfathered students. The reader should note that the blue line represents the subsidy value of 2019 student load and does not take into account any increase or decrease in student load that might have occurred for universities in 2020 or 2021.

5 The reality of the subsidy delivered for student places

Funding allocations for the next three years are publicly available in the funding agreements of universities. The amounts for *higher education courses* for each university exclude the amounts for medical students and places filled by Indigenous students. They are detailed in Appendix 6. These amounts include growth funding, the formula driven increases in MBGAs which depend on campus location, and the special student place allocations made by the Minister.

The amounts in Appendix 6 include the funding associated with the special treatment of South Australian universities to which the Government agreed in order to secure Senate passage of its JRG legislation. The full details of what was agreed are not public but a summary of what is known is in Appendix 2. Some detail about the outcome of the deal can be ascertained from funding agreements and is discussed in Appendix 7.

Appendix 7 also provides details on those new student place allocations which remain separately identified in funding agreements. It discusses some of the confusion generated by funding agreements containing multiple MBGAs, rather than a single amount as the funding cap for higher education courses (as implied by the legislation). Comments are also provided on the amounts specified for performance-based funding and on the Higher Education Continuity Guarantee, which was one of the concessions made during the period of Parliamentary debate that is likely to have little material impact.

The funding agreements are far more complicated and bureaucratic than they need to be. Many of the small measures included in the agreements cease to exist beyond the transition period. They are more about selling the overall Government change, than substantive improvements to arrangements.

Over the long term, it is only growth funding that will have a significant bearing on the sector's size. Subsidies for rural, regional and remote campuses are to grow by 3.5 per cent a year. Metropolitan campuses in high population growth areas are to grow by 2.5 per cent and those in low growth areas by 1 per cent. These rates are being slowly phased in. They do not reach these levels until the end of the transition period when they start producing sector wide growth of around 1.8 per cent a year.⁷

Table 5 provides the 'total sector MBGA under JRG', derived by adding the amounts for medical places and places filled by Indigenous students to the total MBGA for higher education courses.

- The subsidy provided for short courses has been excluded. The subsidies for these courses cease after 2021 and funding agreements state that universities will only be paid for any short course places that they deliver. There is uncertainty about the number of places that will be delivered.
- It has been assumed for the purposes of this paper that no university will have their MBGA reduced by any amount identified as performance-based funding.

Table 5: Estimate of total sector MBGA and its components for 2021 to 2023 (\$m)

Year	Total MBGA for HE courses	MBGA for medical places*	Estimated amount for places with Indigenous students	Total sector MBGA under JRG
2021	\$6,732**	\$363	\$49	\$7,146
2022	\$6,658	\$373	Not available. Assumed to be \$49 million in 2022 & 2023.	\$7,079
2023	\$6,668	\$383		\$7,100

* Includes the estimated amount for UNDA's medical places, which has been excluded from the Total MBGA for higher education courses - see note at end of Appendix 6.

** Excludes amounts for short courses in 2021.

⁷ Standing Committees on Education and Employment (2020b).

It is a relatively simple exercise to take the total sector MBGA under JRG from 2021 to 2023 and produce an estimate of the subsidy available each year to 2030.

- The allowance for grandfathered students is removed from the 2023 total sector MBGA, consistent with the Government’s methodology under which it is nil by 2024.
- The share of total sector MBGA in 2023 that historically was for bachelor-level student places is then identified. It receives growth funding of 1.8 per cent and an estimated indexation increase of 2 per cent each year beginning in 2024.
- The remaining share of 2023 total sector MBGA receives indexation increases of 2 per cent each year beginning in 2024.
- As described in Appendix 7, adjustments are made to reduce National Priority places to nil by 2025 and Innovative Places are increased for a further year in accordance with the standard pipeline.

The resulting total sector MBGA under JRG for each year from 2020 to 2030 is presented in Chart 3. The data for this chart is available in Appendix 8. The total sector MBGA is the subsidy being delivered by Government and it is compared with:

- the subsidy required to support the Government’s promised extra student places
- the subsidy that would be required to support the benchmark student place ratio achieved from 2014 to 2017, that is 38.5 places for every 1,000 people of working age.

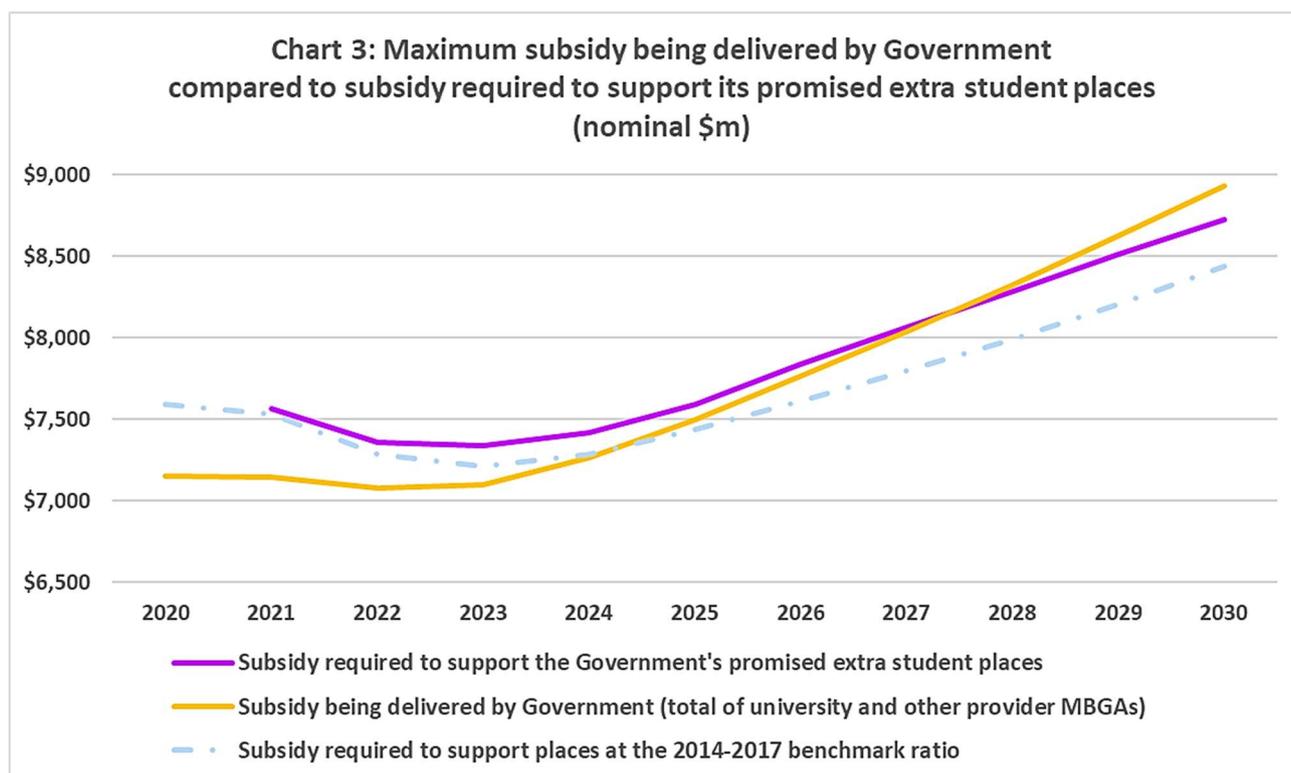


Chart 3 shows that the Government has not delivered the level of subsidy required for the additional student places that it promised. The estimated subsidy being delivered by the Government beyond 2023 does not grow to support the number of student places promised by the Government until after 2027. There is some doubt that result will ever be achieved, as the estimated growth in subsidy is clearly greater than that implied for delivery of the Government’s promised student places. The expected result, based on the analysis in this paper, would be for the lines to be parallel from around 2025.

Over the next four years, the subsidy being provided by the Government is also substantially below that required to support student places to the level of the 2014 to 2017 benchmark ratio (i.e. 38.5 places for

every 1,000 people of working age). If the subsidy for the promised additional student places had been delivered, it should have exceeded the benchmark every year. This benchmark does not appear to be achieved until at least 2025.

Table 6 shows that the subsidy shortfall results in the Government subsidising around 39,000 fewer places in 2021 than it promised, which includes 12,000 student places from 2019. While this reduces over time, in 2024 it is still subsidising around 14,000 fewer student places than it promised. The Government would need to provide in the order of \$1.1 billion more in subsidy from 2021 to 2024 to honour the claims it made to the public and the Parliament.

6 Other impacts of JRG policy on student places

The comparisons in the previous section were made on relatively conservative assumptions. There are a considerable number of features in JRG policy that could result in a different outcome for the number of student places than indicated above. The outcome is not likely to be more student places.

The Government explicitly set different student contribution amounts to influence student course choices. It was trying to encourage students into disciplines that it considered would make them job ready. If students respond as the Government wishes, they will shift from disciplines with low subsidy levels into disciplines with higher subsidy levels. If successful, this policy would increase the average cost of subsidy per place and reduce the number of subsidised student places that universities could provide under their capped MBGA funding envelope.

Table 6: Government delivered student places compared to the JRG promise and 2014-17 benchmark

Year	Places being subsidised compared to 2014-2017 benchmark	Places being subsidised compared to <i>places promised under JRG</i>
2020	-36,719	
2021	-37,718	-39,000
2022	-20,094	-26,058
2023	-10,497	-22,287
2024	-2,440	-14,104
2025	5,548	-8,246
2026	13,890	-6,430
2027	21,136	-2,071
2028	28,785	3,474
2029	35,240	9,794
2030	40,913	17,312

* The number of places in this table have been calculated using an average pre-JRG subsidy rate of \$12,007 in 2020 and an average JRG subsidy rate of \$10,212 in 2021, with standard HESA indexation used to produce values for subsequent years.

Source: Senate Standing Committees on Education and Employment (2020b) for places promised under JRG.

The analysis in the previous section was done at an aggregate 'national' level. No regard was paid to how subsidies are distributed between institutions. If an institution does not utilize its full MBGA, it is not available to an institution which has a shortfall of subsidy (unless the unlikely option of CSP trading is utilized - see Appendix 9 for a short discussion of CSP trading). Under-utilization of subsidy would reduce the number of subsidised student places.

Each year from 2021 to 2023, around \$26 million in additional subsidy is being given to non-university providers and the University of Notre Dame (UNDA).⁸ These institutions were not affected by the CGS freeze. Their CSP places were ‘allocated’ and fully subsidised. Most student places at these institutions are currently fee-paying and not Commonwealth supported.

Table 7 provides a summary of domestic student places in 2019. It shows that the funding for student places made available to UNDA and non-university providers may simply result in current full fee-paying places being converted to CSP student places. It remains to be seen by how much of the extra subsidy made available to these institutions expands the total number of student places.

Table 7: Domestic student places in 2019, excluding non-award and postgraduate research places

	Commonwealth supported (CSPs)	Domestic fee-paying non-research*
Table A institutions – public universities, plus ACU	620,695	50,199
<i>(non-research postgraduate places included above)</i>	<i>(41,865)</i>	<i>(45,499)</i>
University of Notre Dame (UNDA)	5,831	2,842
Other non-university providers	1,019	40,693
Total	627,545	93,563
<i>(non-research postgraduate places included above)</i>	<i>(42,789)</i>	<i>(56,762)</i>

* Excludes 1,955 postgraduate fee-paying research places that were not supported under the Research Training Program, of which 1,784 were provided by Table A institutions.

Source: Department of Education, Skills and Employment (2020a).

The new ‘funding envelope’ policy allows universities the flexibility to provide places “*at the level students and the labour market demand*”⁹. There is considerable rhetoric in that statement. In practice, the policy makes clear that universities are allowed to structure their CSP student places largely as they choose.

*Universities can trade and transfer Commonwealth supported places (CSPs) within their funding envelope on a cost-neutral basis between disciplines (excluding medical) and course levels (sub-bachelor, bachelor and postgraduate).*¹⁰

It will be some time before it is evident how universities respond to the JRG changes. Universities may not provide more places in those disciplines in which the Government is encouraging students to study. They may be deterred by high costs, various constraints on capacity and competing priorities.

If a university does provide student places in excess of the number for which it can attract subsidies, it is more likely to do so in a discipline the Government is not encouraging students to study. In the discouraged disciplines, student contributions are high and Government subsidies are low. In law, management, economics, accounting and all of the humanities other than English, the JRG student contribution is now greater than the pre-JRG student contribution and Government subsidy combined. For these disciplines, the Government has gone close to making the student places full fee-paying.

Universities may find ways to provide places in discouraged disciplines without access to the Government subsidy. That is not likely to be the case in the disciplines the Government wishes to encourage students to study.

⁸ Legislation recently passed Parliament UNDA adding UNDA to Table A in HESA from 2022. This means that beginning in that year UNDA will be treated in the same way as all public universities, in particular it will obtain access to grants on the same basis as those universities.

⁹ Department of Education, Skills and Employment (2021d) – see ‘Funding Envelope’ description.

¹⁰ Department of Education, Skills and Employment (2021d) – see ‘Funding Envelope’ description.

Regional institutions receive a higher rate of 'growth funding'. They will recover their subsidy shortfall from the CGS freeze earlier than other institutions. If these institutions do not fully utilise their CGS subsidy level, it would be retained by the Government and not spent. They are likely to make efforts to use their subsidy. If they can attract more students, they will do so.

Regional institutions could alternatively convert their postgraduate fee-paying student places to postgraduate CSP places. Table 7 shows that at the national level, there is considerable scope for institutions to do this. While the outcome may be less system expansion than would otherwise occur, any decision by a regional institution to do so would be consistent with seeking to increase the availability of professional people in regional areas.

Metropolitan universities will take longer to recover their subsidy shortfall due to their lower rates of growth funding. The constraints that remain on their level of CGS subsidy may result in them reducing their postgraduate CSP student places, the opposite of what appears most likely at regional institutions. This would enable them to use more of their CGS subsidy on undergraduate students and potentially increase revenue by having more fee-paying postgraduate students. While the outcome may be more system expansion than would otherwise occur, the decision to do so might be regarded as inconsistent with other Government policy objectives.

- Just under one third of postgraduate CSP students are in education, with most likely to be undertaking initial teacher education. Around 15 per cent are in nursing and allied health.
- If students undertaking their professional postgraduate qualifications in these disciplines lose the opportunity to study as CSP students and are required to pay full fees, it may negate the benefit of reduced student contributions derived while undertaking their bachelor degree.

These various impacts on the provision of student places mean that the ultimate outcome of JRG on the opportunity to undertake a higher education is not certain. There are also other aspects of policy that have implications for the future provision of student places that are yet to be finalised. Some comments and observations concerning student places in enabling programs and the unclear policy agenda associated with Short Course Places are provided in Appendix 9.

7 NPILF and the Transition Fund Loading

The remaining issue for this analysis concerns the extent to which the National Priorities and Industry Linkage Fund (NPILF) and the Transition Fund (TF) Loading should be regarded as supporting the provision of student places. There are good reasons for not including these funds in the analysis.

NPILF funds are not distributed to universities in a way that would actually subsidise student places. The distribution of funds between universities is only indirectly related to growth in additional student places and NPILF grants have conditions attached to them that require universities to incur expenditure on activities other than providing student places. These activities are outlined in a detailed *NPILF Pilot (2022-24) Guidance Document*.¹¹ The activities might best be described as course development activities. The intention is clearly to improve universities' performance in producing 'job-ready graduates', but the funds are not being provided to subsidise the actual costs of course delivery.

TF Loading does not have conditions requiring universities to incur expenditure on other activities. The amount being advanced to universities during 2021 is \$345 million, compared to the \$419 million that would be required for the Government to subsidise the student places it promised to deliver.

The difficulty associated with treating TF Loading as a form of subsidy for student places is that the amount being advanced will need to be reconciled once student load for each year is known. The amount will depend on both:

- 2020 student load which is not currently available

¹¹ Department of Education, Skills and Employment (2021f).

- the student place revenue (Government subsidies and student contributions) that a university receives for the year, including any received for additional student places (which would only be the student contribution if no additional subsidy could be paid due to MBGAs).

Significantly, any growth in student places after 2020 will reduce the amount of TF Loading (see discussion of TF Loading in Appendix 9). There is considerable potential for universities to be required to return amounts of TF Loading after the reconciliation process.

TF Loading ends in 2023. In 2024, the number of subsidised student places will be nearly 14,100 less than promised by the Government and still be under the 2014-2017 benchmark by over 2,400.

8 Conclusion

If the Government was genuinely concerned to ensure that universities were able to support Australia's economic recovery, it could have put in place a policy that was both more effective and simpler than JRG. As a first step, it could have ensured that it provided subsidies to support the student load already in the system in 2019. A further step could have been to increase subsidy levels so that from 2021 to 2023 working age Australians have the same opportunity to undertake higher education that they had from 2014 to 2017.

Such policies would have given universities greater capacity to manage the countercyclical increase in student places that usually accompanies economic downturns. It would have given them greater capacity to compensate for the reductions in Australia's skilled migration intake that have resulted from the pandemic. There would have been little additional cost associated with these policies if funding had not been dispersed in the multifarious ways of JRG. History will judge much of JRG to be a ruse to achieve the objective of increasing student contributions and lowering government subsidies.

It is quite disingenuous of the Government to have ended the demand driven funding system, withdrawn subsidies for student places through the CGS freeze and then claim it is helping Australians by taking until 2025 to restore to them the same opportunity to get a higher education that they had from 2014 to 2017.

Long term, the rate of growth funding will restore these opportunities, but that time is two elections away. By then, the Government of the day may be giving priority to debt reduction. It will not require any legislative change if the Government decides to abandon its growth funding policy.

The reality of JRG is that the rhetoric of creating extra student places to support Australia's economic recovery over the next several years is hollow.

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Appendices

Appendix 1: Ministerial announcements of changes to the original JRG package

11 August – Tehan press release	<p>Draft legislation to implement Job-ready Graduates was published for consultation. The released draft Bill effectively announced changes not previously mentioned in the policy discussion paper and added further complexity to the policy debate.</p> <ul style="list-style-type: none"> • Schedules 5 and 6 contained a series of regulatory changes labelled ‘student protection measures’. They include measures such as precluding a student from being Commonwealth supported if they have failed more than 50% of their units after undertaking at least 8 units of study.
25 August – Tehan press release	<p>The ‘Joint Party Room Outcome’ was announced. The changes in this press release appeared to be a combination of changes in response to submissions on the draft legislation and concerns raised by members of the political parties forming the Government. The announced changes included the following matters.</p> <ul style="list-style-type: none"> • Courses which were pathways to the professional qualifications of psychology and social work were reclassified for funding purposes, reducing their student contribution and increasing their government subsidy. These are now known as Professional Pathway Psychology and Professional Pathway Social Work. • The delivery arrangements for the Tertiary Access Payment of \$5,000 for Outer Regional, Rural and Remote students were changed. Originally, it was to be a payment administered by Services Australia. It became a scholarship program administered by universities who receive an allocation of scholarship funds based on historical enrolment of regional students. • A floor for the maximum basic grant amount for higher education courses was announced. This was said to guarantee university funding in legislation. The mechanism related to the setting of a university’s MBGA and provided a quite limited guarantee. The issue is discussed in further detail elsewhere in this paper.
30 September – Tehan press release	<p>On the day of his speech to the AFR Higher Education Summit, Minister Tehan indicated the Government was:</p> <ul style="list-style-type: none"> • providing \$326 million funding for additional university places for Australian students in 2021 (This amount covers the four calendar years 2021 to 2024.) • providing funding certainty for universities over the next three years • amending the Commonwealth Grant Scheme Guidelines to specify the formula for the Transition Fund Loading and the Other Grants Guidelines to give effect to the Government’s Indigenous, Regional and Low Socio-Economic Attainment Fund and National Priorities and Industry Linkage Fund.
6 October - Tehan 2020- 21 Budget press release	<p>In the 2020-21 Budget, Minister Tehan noted that the Government was providing:</p> <ul style="list-style-type: none"> • \$1 billion to fund research at Australian universities to drive the discovery of new products, ideas and innovations to power our post COVID-19 recovery • \$298.5 million for an additional 12,000 university places for Australian students in 2021 (This is a budget figure. It does not include the amount for the last six months of 2024. It is therefore consistent with the figure announced on 30 September. Changed indexation parameters resulted in the four calendar-year figure being revised to \$323.9 million.) • \$251.8 million for an additional 50,000 short course places in 2021 • \$40 million to fund universities to start projects in their local communities that drive the national interest, including greater collaboration with industry (Strategic University Reform Fund - SURF).
19 October – Tehan press release	<p>The passage of the legislation was announced and the press release included the following statement: <i>“The Bill also provides more money and more certainty for universities. University funding will grow by \$2 billion to 2024 and the Bill locks in indexation at pre-COVID rates for the next three years.”</i></p>

Appendix 2: Changes made to secure the Senate passage of the JRG legislation

<p>To secure the vote of Senator Pauline Hanson</p>	<p>Newspaper reports (see Lisa Visentin’s article of 29 September 2020 in the Sydney Morning Herald) indicated that the Government had agreed to:</p> <ul style="list-style-type: none"> • reintroduce a 10% discount for a student who pays their student contribution upfront • reintroduce a 7-year Student Learning Entitlement which precludes a student from being Commonwealth supported after having received this support for the equivalent of seven years full time study • introduce a new academic freedom provision in the Higher Education Support Act 2003. <p>A Supplementary Explanatory Memorandum indicates the measures in the first two dot points above were included in amendments outlined in <i>Sheet RV 130 to be moved on behalf of the Government</i>. The third dot point was delivered through the Higher Education Support Amendment (Freedom of Speech) Bill 2020 which was introduced on the 28 October 2020.</p>
<p>To secure the vote of Senator Stirling Griff</p>	<p>A Centre Alliance press release of 6 October 2020 indicated that it had:</p> <ul style="list-style-type: none"> • obtained a Government commitment to provide additional Commonwealth Supported Places for South Australian universities that will see South Australia receive the same growth rate as Tasmania and regional Australia • obtained Government agreement to including ‘special circumstances’ criteria within the legislation for students who do not successfully complete their study units to prevent them missing out on Commonwealth support if they fail to complete at least half their units • negotiated funding for four study hubs across regional South Australia to provide extra support to regional students • advocated for the reinstatement of a 10 per cent discount for upfront FEE-Help student contributions (sic), the confirmation of a professional pathway for psychology and social work and a formal independent review of these legislative reforms after 18 months. <p>A Supplementary Explanatory Memorandum indicates the measure in the second dot point above was included in amendments outlined in <i>Sheet RV 133 to be moved on behalf of the Government</i>. The additional funding for South Australian universities was delivered through discretionary decisions of the Minister made in the context of developing funding agreements for the relevant universities.</p>

Appendix 3: Summary of material released on the impact of JRG on the number of CSP student places

When the Job-ready Graduates package was initially released on 19 June 2020, the discussion paper indicated:

These reforms will provide the funding needed to support an additional 39,000 university places by 2023 and almost 100,000 places by 2030.¹²

These figures were used by the Minister when he launched the policy at the National Press Club. They were not consistent with the PowerPoint presentation used in pre-briefing provided to Vice-Chancellors. A generous reading of the graph on student place growth in that presentation clearly indicated less than 30,000 student places in 2023.

The additional student places were to be the result of a combination of measures:

- growth funding across all universities which depended on campus location. The funding of bachelor-degree student load was to be increased by 3.5 per cent for rural, regional and remote campuses, 2.5 per cent for high growth metropolitan campuses and 1 per cent for remaining campuses.
- extra targeted funding in national priority areas. Initially 300 commencing places were to be provided in 2021, increasing to 900 by 2024. These are the places badged *Innovative Places* in university funding agreements for 2021 to 2023.
- 485 places for the University of Notre Dame and 5 medical places for Charles Sturt University
- demand driven funding for Indigenous students.¹³

A table of the number of additional places was not released with information on the package.

After passage of the legislation the Department advised the Parliament that growth funding was estimated to produce an average growth rate, excluding indexation, of 1.8 per cent in 2024 and 2025.¹⁴

The JRG package was portrayed, in part, as a response to the COVID-19 pandemic and was considered by the Senate Select Committee on COVID-19. On 28 July 2020, Senator Mehreen Faruqi asked the Department to provide “the total number of additional bachelor commonwealth supported places arising from the Job Ready Graduates package for each year 2021-2030 inclusive”.¹⁵

The following table was provided in response to her question on notice.

Table 3A: Commonwealth Grant Scheme funding for new student places at Table A universities in the Job Ready Graduates package (\$m)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Places arising from changes to cluster funding arrangements and regional growth	16,367	27,955	36,858	42,798	50,972	58,439	66,238	74,043	81,924	89,527
Unallocated	893	1,558	2,331	3,539	4,387	4,935	5,851	6,301	6,638	7,392
Total	17,259	29,512	39,189	46,338	55,359	63,374	72,089	80,343	88,562	96,919

*Totals may not add due to rounding.

¹² Australian Government (2020), p11.

¹³ Australian Government (2020), pages 14-15.

¹⁴ Standing Committees on Education and Employment (2020b).

¹⁵ Standing Committees on Education and Employment (2020b).

The Department's Submission to the Senate inquiry into the legislation did not provide any details on additional student places. It said only that the package would grow the number of university places for domestic students by 100,000 by 2030. On 17 September 2020 during the Senate Inquiry into the legislative bill, Senator Kim Carr sought details on the number of additional student places.¹⁶

The following untitled table was provided in response to his question on notice.

Table 3B

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
15,000	28,000	42,000	49,000	62,000	73,000	81,000	87,000	92,000	96,000

Source: Senate Standing Committee on Education and Employment (2020a)

In his speech to the AFR conference on 30 September 2020, the Minister said:

*If the Senate passes the Job-ready Graduates Bill, there will be up to 30,000 additional university places available next year.*¹⁷

In the 2020-21 Budget, delivered on 6 October 2020, the Government announced:

- \$298.5 million for an additional 12,000 university places for Australian students in 2021
- \$251.8 million for an additional 50,000 short course places in 2021.¹⁸

The JRG legislation passed the Parliament on 19 October 2020. The Budget Senate Estimates hearings were held the following week. Senator Louise Pratt asked a series of questions about JRG student places and indexation.¹⁹ They included a request for 'a breakdown of how many new Commonwealth Supported Places (not including short course places) there will be each year over the forward estimates as a combined result of the 12,000 new places and 39,000 places announced previously'.

The following untitled table was provided in response to her questions on notice.

Table 3C

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
27,000	37,000	49,000	54,000	62,000	73,000	81,000	87,000	92,000	96,000

Source: Senate Standing Committees on Education and Employment (2020b)

Included with responses to the other questions asked by Senator Pratt were the following statements.

In recognition of the likely impact on demand and by COVID-19, a single cohort of 12,000 commencing places in 2021 are funded.

The funding has been calculated based on the average Commonwealth contribution for one commencing cohort of 12,000 EFTSL.

The National Priority Places are commencing in 2021, not ongoing, and will not be included in a provider's MBGA.

The National Priority Places are available to all TEQSA registered universities. The allocation will be merit based and is not subject to a notional amount being allocated to any group of providers.

¹⁶ Senate Standing Committee on Education and Employment (2020a).

¹⁷ Tehan, D (2020b), p3.

¹⁸ Tehan, D (2020g).

¹⁹ Senate Standing Committees on Education and Employment (2020b).

Senator Pratt also requested the Department to update a table on per place funding which includes year by year information on the amount of CGS expenditure and student contributions, as well as estimates of the total number of student places in each year.²⁰

The following untitled table containing the total number of student places for 2018 to 2023 was provided in response to that question on notice.

Table 2D

	2018	2019	2020	2021	2022	2023
Number of Commonwealth supported places	623,800	626,700	626,400	687,100	672,600	682,000

Source: Senate Standing Committees on Education and Employment (2020c)

It is important to understand that the number of Commonwealth supported places in the above table is the number of places that the Department estimates will be provided by the sector each year. This is not the same as the number of places that will be subsidised. It includes CSP student places that are not subsidised, but for which there will be student contributions.

²⁰ Senate Standing Committees on Education and Employment (2020c)

Appendix 4: 2019 student load by discipline groupings (grandfathered discipline groupings highlighted in blue)

Discipline groupings based on funding parameters	Estimated full-time student load
Law, accounting, administration, economics, commerce, food & hospitality, personal services, mixed fields	113,377
History, archaeology, Indigenous studies, justice, law enforcement, philosophy & religious studies	17,327
English	7,314
Mathematical sciences (mathematics & statistics)	23,317
Computing, built environment, public & other health	55,292
Human movement and 'Professional Pathways' to social work and psychology	14,421
Behavioural science, social studies, human welfare studies and services (E.g. care for aged, disabled, children), librarianship, curatorial studies, sport and recreation, excluding 'Professional Pathways' to social work and psychology	70,229
Education	59,372
Clinical psychology	954
Foreign languages (including Australian Indigenous languages)	7,055
Performing arts, visual arts & crafts, graphic and design studies, other creative arts	23,930
Communication & media arts	25,500
Allied health	27,699
Nursing	46,141
Science, engineering, surveying	99,786
Medical science	4,983
Dentistry, medicine, veterinary science	21,492
Pathology	1,296
Environmental studies, other agriculture, environmental and related	4,936
Agriculture, horticulture, forestry science, fisheries science	3,124
Total CSP student places - all disciplines	627,545

Sources: 2019 student load data sourced from Department of Education, Skills and Employment (2020a). Estimates derived based on the assumption that funding clusters split into discipline groups in the same proportions as in 2018 and as detailed in JRG package information (see Warburton, (2020), p 14). The exception to this assumption relates to 'Professional pathways' which was a concession made after release of the JRG package. In this analysis, it is assumed that the concession affected 10,000 places with discipline groupings affected as indicated in the table.

Appendix 5: The MBGA allowance required to adequately cover grandfathered students

The accuracy of the allowance in MBGAs for grandfathered students has significant financial implications for the sector because of the large number of students involved and the substantial lowering of subsidy levels for these students under JRG.

As discussed in the main paper, the Government’s methodology for providing an MBGA allowance for grandfathered students assumed that all grandfathered students would complete their course by 2024. We know that this is not correct.

Among DESE’s student statistics are two reports providing information on students who continue to study after their commencement year. These are:

- Attrition, Retention and Success Rates for Commencing Higher Education Students²¹
- Completion Rates of Higher Education Students – Cohort Analysis, 2005-2019’.²²

The first report tells us that 85 per cent of students continue their study in the year after they commenced (that is, continue to year 2). The second report tells us that the proportion of students who were ‘still enrolled’ and had not completed at the end of years 4, 6 and 9. These proportions were 34, 11 and 4 per cent respectively. As these proportions exclude students who studied but completed in years 4, 6 and 9, they provide a conservative estimate of the proportion studying in each of those years.

This data is presented in Column 1 of Table 5A. The table column includes estimates of the proportions of students still enrolled in years 5, 7 and 8. These are interpolations consistent with the apparent rate of decline using the known values (i.e. years 4, 6 and 9). The reason for including these will become evident below.

Table 5A: Share of commencing places required each year for continuing students

Year after commencement	Column 1	Column 2	Column 3
	Share of students still enrolled each year after commencement (%)	Discount for average study load and students who have commenced a new course	Share of year 1 commencing places required for continuing students (%)
Year 2	85	0.88	75
Year 3	n.a.	n.a	56.25
Year 4	34	0.66 [#]	22.44
Year 5	20 [*]	0.66 [#]	13.20
Year 6	11	0.5 [#]	5.50
Year 7	8 [*]	0.5 [#]	4.00
Year 8	5 [*]	0.33 [#]	1.65
Year 9	4	0.33 [#]	1.32

Sources: For the proportion of students still enrolled: Department of Education, Skills and Employment (2020b) for year 2 and Department of Education, Skills and Employment (2020c) for years 4, 6 and 9; Figures marked with an * are interpolations consistent with apparent rate of decline based on known values. For the share of commencing places required: Department of Education, Skills and Employment (2020d) for years 2 and 3 and other years have been derived by applying the estimated average study loads marked with an # to the relevant proportion of students still enrolled.

²¹ Department of Education, Skills and Employment (2020b).

²² Department of Education, Skills and Employment (2020c).

Column 3 of Table 5A provides the share of year 1 commencing places that has been used to derive the estimate of the MBGA allowance required to adequately cover grandfathered students. These shares were determined as follows:

- For years 2 and 3, the shares of commencing places for which there must be an allowance (75 per cent and 65.25 per cent respectively) are taken from the standard pipeline used by Department. The table notes that for year 2, the share appears to assume that the average student load of a continuing student in year 2 is 0.88 EFTSL.
- The shares for years 4 to 9 were derived by multiplying the 'share of commencing students still enrolled each year' (Column 1 of Table 5A) by the discount factors in Column 2. The discount factors were determined by a process of 'modelling' the outcome for the 2021 calendar year as explained below.

Let's begin by referring to the students still studying in years 4 to 9 as 'the tail'. We know two important things about this tail:

- The first is that the longer a student has been studying, the less student load they will use on average. This is an inevitable consequence of students with greater study loads completing earlier than those with lesser study loads.
- The second is that some of the students who are still studying may have commenced a new course without completing the course in which they were initially enrolled. This means that they would also appear as a commencing student in a subsequent calendar year cohort analysis. In that second analysis, they would not be recorded as taking as long to complete as in the first cohort analysis in which they appear.

Both of these factors contribute to the 'discount' that is required to reduce the 'share of commencing students still enrolled each year' (Column 1 of Table 5A) to the 'share of year 1 commencing places required' (Column 3 of Table 5A).

The other important thing we know is that there must be at least 221,000 commencing student places in 2021. Using this fact, we can roughly estimate the discount for each continuing student in each year of the tail. The estimates must be set to ensure that there are sufficient student places remaining for 2021 commencing students. The discount factors derived in this way are those presented in Column 2 of Table 5A.

While this approach to estimation might appear crude, varying the discount factors has little impact on the estimated MBGA allowance required to adequately cover grandfathered students. The same applies when the interpolated values for the proportion of students still enrolled after commencement in years 5, 7 and 8 are varied.

The accuracy of the estimate could be improved by analysis of unit record data, but this data is not available. Ultimately it is the overall tail that is determining the need for the MBGA allowance. The estimates derived using this approach are likely to be more accurate than the methodology used to calculate MBGAs under JRG which assumes that the tail does not exist. The optimal approach would be a funding system that fully paid the amount of subsidy which a grandfathered student should attract.

Table 5B details the number of commencing places in each year from 2013 to 2020. Commencing places for 2013 to 2019 are actuals sourced from the Government's student statistical collection. For 2020, the number of commencing places is assumed to be the same as in 2019. The relevant share of year 1 commencing places required for continuing students is applied to these figures to produce an estimate of the number of continuing places required for each commencing cohort in each year from 2021 to 2028.

The required number of places are summed for each calendar year to produce an estimate of the total number of places required in that year by 2020 continuing students.

Most of the student places identified in the last line of Table 4C are filled by students in discipline groups that do not require an MBGA allowance under JRG. Only around 42 per cent of these places are filled by grandfathered students for whom there should be allowance in university MBGAs. The number of these places each year from 2021 to 2028 is detailed in Table 5C.

Table 5C also details the number of places for which the Government has provided an allowance in MBGAs. The last two lines show the number of places for which no allowance in MBGAs has been provided and the additional MBGA that would be required to subsidise these places in accordance with CGS legislated rates.

The table shows that over the first 10 years of JRG, the shortfall in the MBGA allowance exceeds \$300 million dollars, with around \$200 million occurring from 2023 to 2025.

Table 5B: Number of student places required for 2020 continuing students from 2021 to 2028

Year	Commencing CSP places	Year of study							
		2021	2022	2023	2024	2025	2026	2027	2028
2013	221,401	2,922							
2014	228,794	3,775	3,020						
2015	227,815	9,113	3,759	3,007					
2016	230,240	12,663	9,210	3,799	3,039				
2017	231,255	30,526	12,719	9,250	3,816	3,053			
2018	228,359	51,244	30,143	12,560	9,134	3,768	3,014		
2019	225,749	126,984	50,658	29,799	12,416	9,030	3,725	2,980	
2020	225,749	169,312	126,984	50,658	29,799	12,416	9,030	3,725	2,980
Total places required		406,538	236,493	109,073	58,204	28,267	15,769	6,705	2,980

Source: Commencing CSP student places from Department of Education, Skills and Employment (2021c)

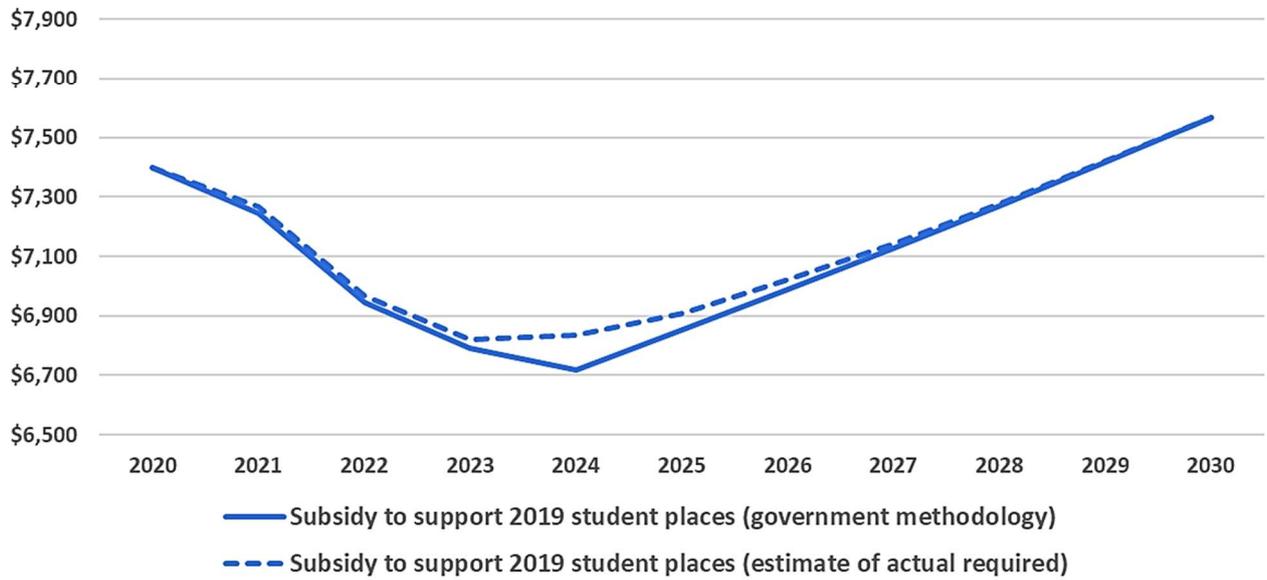
Table 5C: Estimate of subsidy shortfall for student places with grandfathered students

	2021	2022	2023	2024	2025	2026	2027	2028
Places with grandfathered students	171,534	99,785	46,022	24,559	11,927	6,654	2,829	1,257
Places in Gov't MBGA allowance	166,814	95,322	39,718	0	0	0	0	0
Number of places with no MBGA allowance	4,719	4,463	6,304	24,559	11,927	6,654	2,829	1,257
Additional MBGA required for grandfathered students (\$m)	\$21.5	\$20.5	\$29.5	\$117.3	\$58.1	\$33.1	\$14.3	\$6.5

Note: Grandfathered places attract an average CGS subsidy rate of around \$7,416 in 2021 dollars. Without grandfathering these places would only attract an average CGS subsidy rate of \$2,860. Consequently, for each grandfathered place not included in a university's MBGA, the loss is \$4,556 (i.e. \$7,416 minus \$2,860).

The chart below shows the level of subsidy required for the number student places that existed in 2019 if legislated rates of CGS were to be paid for all 2020 continuing students each year from 2021 to 2030. This is based on the methodology outlined above and is compared with the subsidy allowed to be paid under the Government's methodology.

Subsidy required to support 2019 student places: Comparison of methodologies for calculating the MBGA allowance for grandfathered students (nominal \$m)



Appendix 6: University MBGAs for higher education courses for the 2021-23 grant years (excluding subsidies for medicine and places filled by Indigenous students)

University	Year	Base MBGA	National Priority Places	Innovative Places	Short Courses	Total MBGA	Performance Based Funding	South Australia amounts (incl in base MBGA)
NSW								
ACU	2021	\$237,140,497	\$3,250,000	\$0	\$3,467,500	\$243,857,997	\$2,793,335	
	2022	\$235,998,395	\$2,486,250	\$0	\$0	\$238,484,645	\$5,574,569	
	2023	\$237,408,322	\$1,901,981	\$0	\$0	\$239,310,303	\$8,264,025	
CSU	2021	\$166,219,961	\$1,520,000	\$0	\$12,090,625	\$179,830,586	\$1,951,773	
	2022	\$168,248,544	\$1,162,800	\$0	\$0	\$169,411,344	\$3,895,091	
	2023	\$172,896,854	\$889,542	\$0	\$0	\$173,786,396	\$5,774,281	
Macquarie	2021	\$170,082,636	\$0	\$0	\$4,963,125	\$175,045,761	\$2,197,067	
	2022	\$160,167,612	\$0	\$0	\$0	\$160,167,612	\$4,384,616	
	2023	\$154,381,410	\$0	\$0	\$0	\$154,381,410	\$6,499,977	
SCU	2021	\$80,253,012	\$4,442,500	\$0	\$4,759,125	\$89,454,637	\$864,569	
	2022	\$80,206,132	\$3,398,513	\$0	\$0	\$83,604,645	\$1,790,715	
	2023	\$81,349,236	\$2,409,664	\$0	\$0	\$83,758,900	\$2,686,300	
UNE	2021	\$99,295,534	\$1,505,000	\$0	\$4,106,250	\$104,906,784	\$1,022,273	
	2022	\$97,259,544	\$1,151,325	\$0	\$0	\$98,410,869	\$2,040,117	
	2023	\$97,647,930	\$880,764	\$0	\$0	\$98,528,693	\$3,024,374	
UNSW	2021	\$245,511,351	\$1,625,000	\$0	\$5,042,500	\$252,178,851	\$3,078,259	
	2022	\$242,788,949	\$1,243,125	\$0	\$0	\$244,032,074	\$6,143,181	
	2023	\$242,673,374	\$950,991	\$0	\$0	\$243,624,364	\$9,106,965	
Newcastle	2021	\$205,177,381	\$4,924,250	\$295,000	\$9,895,500	\$220,292,131	\$2,343,286	
	2022	\$205,696,266	\$3,767,051	\$528,098	\$0	\$209,991,415	\$4,676,419	
	2023	\$207,556,320	\$2,881,794	\$713,869	\$0	\$211,151,983	\$6,932,562	
Sydney	2021	\$279,584,599	\$0	\$0	\$1,312,500	\$280,897,099	\$3,359,943	
	2022	\$275,298,778	\$0	\$0	\$0	\$275,298,778	\$6,705,331	
	2023	\$274,202,022	\$0	\$0	\$0	\$274,202,022	\$9,940,323	

UTS	2021	\$203,030,914	\$5,563,750	\$325,000	\$2,738,125	\$211,657,789	\$2,684,869	
	2022	\$199,695,847	\$4,256,269	\$581,805	\$0	\$204,533,921	\$5,358,106	
	2023	\$198,758,701	\$3,256,046	\$786,481	\$0	\$202,801,228	\$7,943,129	
WSU	2021	\$270,354,336	\$12,446,688	\$406,250	\$12,456,125	\$295,663,399	\$3,152,801	
	2022	\$263,584,424	\$9,521,716	\$727,256	\$0	\$273,833,396	\$6,291,944	
	2023	\$260,683,791	\$7,284,113	\$983,102	\$0	\$268,951,006	\$9,327,498	
Wollongong	2021	\$137,642,181	\$2,356,250	\$0	\$8,640,000	\$148,638,431	\$1,735,574	
	2022	\$134,674,691	\$1,802,531	\$0	\$0	\$136,477,222	\$3,463,628	
	2023	\$133,490,602	\$4,028,936	\$0	\$0	\$137,519,538	\$5,134,659	
VIC								
Deakin	2021	\$264,290,279	\$1,496,000	\$227,500	\$7,156,050	\$273,169,829	\$3,347,280	
	2022	\$259,277,128	\$1,144,440	\$407,264	\$0	\$260,828,832	\$6,680,058	
	2023	\$258,258,913	\$875,497	\$550,537	\$0	\$259,684,947	\$9,902,858	
Fed Uni	2021	\$81,986,993	\$0	\$0	\$2,473,000	\$84,459,993	\$766,143	
	2022	\$83,294,022	\$0	\$0	\$0	\$83,294,022	\$1,528,967	
	2023	\$85,689,593	\$0	\$0	\$0	\$85,689,593	\$2,266,619	
La Trobe	2021	\$230,774,170	\$0	\$0	\$4,731,875	\$235,506,045	\$2,776,114	
	2022	\$232,337,947	\$0	\$0	\$0	\$232,337,947	\$5,540,202	
	2023	\$236,819,680	\$0	\$0	\$0	\$236,819,680	\$8,213,077	
Monash	2021	\$290,255,707	\$1,625,000	\$0	\$11,695,000	\$303,575,707	\$3,677,383	
	2022	\$288,800,815	\$1,243,125	\$0	\$0	\$290,043,940	\$7,338,834	
	2023	\$291,187,856	\$950,991	\$0	\$0	\$292,138,847	\$10,879,461	
RMIT	2021	\$255,206,028	\$6,500,000	\$487,500	\$20,071,500	\$282,265,028	\$2,987,701	
	2022	\$252,160,715	\$4,972,500	\$872,708	\$0	\$258,005,922	\$5,962,457	
	2023	\$252,004,222	\$2,852,972	\$1,036,242	\$0	\$255,893,437	\$8,839,050	
Swinburne	2021	\$161,966,765	\$1,787,500	\$0	\$692,500	\$164,446,765	\$2,085,261	
	2022	\$155,689,318	\$1,367,438	\$0	\$0	\$157,056,756	\$4,161,488	
	2023	\$152,649,838	\$855,892	\$0	\$0	\$153,505,729	\$6,169,201	
Melbourne	2021	\$255,315,067	\$1,505,000	\$0	\$3,040,375	\$259,860,442	\$2,477,850	
	2022	\$249,969,156	\$1,151,325	\$0	\$0	\$251,120,481	\$4,944,965	
	2023	\$247,637,400	\$880,764	\$0	\$0	\$248,518,164	\$7,330,667	

Victoria Uni	2021	\$119,682,650	\$3,232,500	\$0	\$12,453,125	\$135,368,275	\$1,383,233	
	2022	\$119,014,192	\$2,472,863	\$0	\$0	\$121,487,054	\$2,760,473	
	2023	\$119,865,770	\$1,891,740	\$0	\$0	\$121,757,510	\$4,092,265	
QLD								
CQU	2021	\$113,451,710	\$2,012,500	\$727,500	\$16,128,750	\$132,320,460	\$1,288,857	
	2022	\$114,945,473	\$1,539,563	\$1,302,368	\$0	\$117,787,403	\$2,572,131	
	2023	\$118,895,888	\$1,177,765	\$1,760,529	\$0	\$121,834,182	\$3,813,058	
Griffith	2021	\$250,799,976	\$1,535,000	\$0	\$5,438,375	\$257,773,351	\$3,205,854	
	2022	\$244,500,677	\$1,174,275	\$0	\$0	\$245,674,952	\$6,397,820	
	2023	\$242,159,893	\$898,320	\$0	\$0	\$243,058,214	\$9,484,453	
JCU	2021	\$109,357,531	\$0	\$0	\$0	\$109,357,531	\$1,231,185	
	2022	\$111,973,824	\$0	\$0	\$0	\$111,973,824	\$2,457,036	
	2023	\$115,898,814	\$0	\$0	\$0	\$115,898,814	\$3,642,435	
QUT	2021	\$276,427,352	\$1,397,000	\$0	\$3,821,875	\$281,646,227	\$3,429,882	
	2022	\$276,303,518	\$1,068,705	\$0	\$0	\$277,372,223	\$6,844,904	
	2023	\$279,843,021	\$817,559	\$0	\$0	\$280,660,580	\$10,147,234	
Queensland	2021	\$270,717,619				\$270,717,619	\$3,402,879	
	2022	\$267,666,096				\$267,666,096	\$6,791,015	
	2023	\$267,650,819				\$267,650,819	\$10,067,346	
USQ	2021	\$129,461,247	\$0	\$0	\$3,483,750	\$132,944,997	\$1,238,332	
	2022	\$128,754,403	\$0	\$0	\$0	\$128,754,403	\$2,471,299	
	2023	\$130,154,629	\$0	\$0	\$0	\$130,154,629	\$3,663,580	
USC	2021	\$134,042,457	\$0	\$0	\$3,099,250	\$137,141,707	\$1,158,183	
	2022	\$148,999,683	\$0	\$0	\$0	\$148,999,683	\$2,311,349	
	2023	\$149,387,985	\$0	\$0	\$0	\$149,387,985	\$3,990,363	
WA								
Curtin	2021	\$246,539,597	\$1,535,000	\$0	\$27,296,250	\$275,370,847	\$2,943,807	
	2022	\$245,426,826	\$1,174,275	\$0	\$0	\$246,601,101	\$5,874,859	
	2023	\$246,734,436	\$708,122	\$0	\$0	\$247,442,558	\$8,709,191	

ECU	2021	\$150,261,538	\$1,325,000	\$0	\$6,892,500	\$158,479,038	\$1,678,054	
	2022	\$149,161,734	\$1,013,625	\$0	\$0	\$150,175,359	\$3,348,837	
	2023	\$149,595,778	\$775,423	\$0	\$0	\$150,371,201	\$4,964,487	
Murdoch	2021	\$90,914,809	\$0	\$0	\$0	\$90,914,809	\$1,180,259	
	2022	\$87,476,328	\$0	\$0	\$0	\$87,476,328	\$2,355,405	
	2023	\$85,872,317	\$0	\$0	\$0	\$85,872,317	\$3,491,772	
UWA	2021	\$140,677,067	\$0	\$0	\$0	\$140,677,067	\$1,303,615	
	2022	\$138,221,206	\$0	\$0	\$0	\$138,221,206	\$2,601,582	
	2023	\$137,315,215	\$0	\$0	\$0	\$137,315,215	\$3,856,718	
SA								
Flinders	2021	\$138,157,403	\$1,325,000	\$2,949,187	\$3,730,000	\$146,161,590	\$1,627,531	\$3,640,555
	2022	\$139,207,393	\$1,013,625	\$0	\$0	\$140,221,018	\$3,248,010	\$6,905,625
	2023	\$141,817,457	\$775,423	\$0	\$0	\$142,592,880	\$4,815,016	\$10,007,974
Adelaide	2021	\$150,777,567	\$1,505,000	\$2,424,087	\$3,878,750	\$158,585,404	\$1,773,889	\$2,785,079
	2022	\$151,648,381	\$1,151,325	\$0	\$0	\$152,799,706	\$3,540,092	\$5,282,906
	2023	\$154,046,430	\$880,764	\$0	\$0	\$154,927,194	\$5,248,013	\$7,656,250
UniSA	2021	\$190,917,225	\$1,400,000	\$2,256,761	\$8,550,000	\$203,123,986	\$2,039,989	\$5,725,778
	2022	\$193,791,678	\$1,071,000	\$0	\$0	\$194,862,678	\$4,071,139	\$10,861,002
	2023	\$198,496,209	\$819,315	\$0	\$0	\$199,315,524	\$6,035,264	\$15,740,303
TAS								
UTas	2021	\$195,373,596	\$0	\$0	\$21,913,500	\$217,287,096	\$1,969,030	
	2022	\$194,779,275	\$0	\$0	\$0	\$194,779,275	\$3,929,530	
	2023	\$197,394,162	\$0	\$0	\$0	\$197,394,162	\$5,825,335	
NT								
CDU	2021	\$53,939,842	\$4,412,500	\$0	\$5,200,000	\$63,552,342	\$525,843	
	2022	\$53,583,767	\$3,375,563	\$0	\$0	\$56,959,329	\$1,049,408	
	2023	\$54,344,166	\$2,582,305	\$0	\$0	\$56,926,471	\$1,555,697	
ACT								
Canberra	2021	\$87,977,288	\$0	\$0	\$7,233,125	\$95,210,413	\$1,073,960	
	2022	\$84,956,790	\$0	\$0	\$0	\$84,956,790	\$2,143,267	
	2023	\$83,605,065	\$0	\$0	\$0	\$83,605,065	\$3,177,288	
ANU	2021	\$68,142,284	\$1,625,000	\$0	\$5,128,125	\$74,895,409	\$938,392	

	2022	\$64,747,795	\$1,243,125	\$0	\$0	\$65,990,920	\$1,872,719	
	2023	\$62,853,974	\$950,991	\$0	\$0	\$63,804,965	\$2,776,214	
OTHER								
UNDA*	2021	\$73,804,098			\$1,307,500	\$75,111,598		
	2022	\$72,775,194				\$72,775,194		
	2023	\$72,647,681				\$72,647,681		
Other small providers	2021	\$24,675,624			\$921,521	\$25,597,145		
	2022	\$25,045,467				\$25,045,467		
	2023	\$25,468,233				\$25,468,233		
TOTAL FOR ALL PROVIDERS								
TOTAL	2021	\$6,650,185,891	\$71,851,438	\$10,098,785	\$255,808,071	\$6,987,944,185	\$76,694,255	\$12,151,412
	2022	\$6,598,127,983	\$54,966,352	\$4,419,499	\$0	\$6,657,513,830	\$153,121,563	\$23,049,533
	2023	\$6,619,344,006	\$43,177,674	\$5,830,760	\$0	\$6,668,352,439	\$227,590,755	\$33,404,527

* The amounts for UNDA exclude amounts for medical places so that figures are comparable with those for other universities. The excluded amounts for medical places have been calculated based on UNDA's number of medical places and the legislated CGS rates for these places, including indexation. The excluded amounts have been added to the 'MBGA for medical places' in Table 5 in the main paper.

Appendix 7: 2021-2023 Funding Agreements - new place allocations, multiple MBGAs, South Australian funding and the Higher Education Continuity Guarantee

Each university has multiple amounts of subsidy specified in its funding agreement. There is a Base MBGA and amounts for National Priority Places, Innovative Places and Short Course places. A 'Total MBGA' is also specified for each university, which is the sum of these four amounts and is the amount for *higher education courses*. There is a separate amount for student places in medicine. A maximum amount for places filled by Indigenous students is not specified, because this component is demand driven, but an estimated amount for 2019 is provided.

The table below provides details on the total funding for higher education courses across all higher education providers for each of the three funding agreement years, 2021 to 2023.

Maximum CGS subsidy for 'higher education courses' at all providers (\$m)

Year	Base MBGA*	National Priority Places	Innovative Places	Short Courses	Total MBGA for HE courses
2021	\$6,650	\$72	\$10	\$256	\$6,988
2022	\$6,598	\$55	\$4	\$0	\$6,658
2023	\$6,619	\$43	\$6	\$0	\$6,668

* The Base MBGA for UNDA in these figures excludes an amount for its medical places. See note at end of Appendix 6.

Important points to note about the table are:

- The base MBGA figures include the impact of pre-covid indexation and growth funding. Growth funding is an increase on the funding for bachelor-degree student load only. Increases of 3.5 per cent, 2.5 per cent and 1 per cent, depending on campus location, produce sector-wide average growth of around 1.8 per cent per year.²³
- The base MBGA figures also include an additional \$68.6 million provided to South Australian universities which was one of the concessions made to secure the Senate vote of Senator Stirling Griff from the Centre Alliance.
- For the specifically named student places in the table, the only ones which are ongoing are the Innovative Places.
 - In 2021, \$7.6 million of the funding for Innovative Places went to South Australian universities as one-off payments, potentially related to securing Senate passage of the legislation. Some further commentary on this is provided in the coloured box below.
 - The remaining \$2.4 million allocated in 2021 is sufficient to fund around 242 commencing student places at the new average subsidy rate of around 10,212 per place. The allocations of \$4 and \$6 million in 2022 and 2023 respectively are consistent with the standard pipeline increases that would be associated with 242 commencing places. When fully phased in, these places will attract around \$7 million in subsidy. This has been factored into the analysis in this paper.
 - There is no further growth in innovative places. The Government's original announcement was for 300 commencing student places in 2021, increasing to 900 commencing student places in 2024. This will only be true if there are 600 student places remaining to be allocated in 2024. Such an allocation has not been factored into the analysis in this paper.

²³ Standing Committees on Education and Employment (2020b).

- The announcement for National Priority Places indicated that there would be a single cohort of 12,000 commencing places in 2021 at a cost of \$323.9 million over four calendar years.
 - Only \$71.9 million was allocated in 2021, enough for around 7,036 commencing student places at the new average subsidy rate of around 10,212 per place. Over the three years 2021 to 2023, only \$170.0 million has been allocated, leaving around 47.5 per cent of the budgeted funds unspent.
 - These places are not ongoing²⁴ and the table shows their funding reducing over time. In the estimates in this paper, it is assumed that the real value of funding remaining for these places in 2023 (\$43m) is reduced by 50% in 2024 and to nil in 2025.
- The funding for short course places has only been provided for 2021.

The stated policy of JRG is that universities receive a funding envelope for higher education courses (i.e. excluding medicine and places for Indigenous students) and have a broad discretion over the student places that they choose to provide with that funding. This is given effect in HESA by a requirement that funding agreements “*must specify an amount as the maximum basic grant amount payable to the provider for a grant year for higher education courses*”.²⁵

The funding agreements for 2021 to 2023 deal with the requirement to specify university MBGAs in a more complex way than is required. Rather than specifying a single MBGA amount, they specify multiple different amounts in the same way as in the table.

- In the case of Short Course Places, the funding agreements state “*The Provider must use the funding in Table 1b to deliver the short courses shown in the table*”. Similar statements occur for historical allocations of places such as that provided to the University of Newcastle for the Central Coast Medical School and Research Institute.
- There are no such statements for National Priority Places or Innovative Places.
- The situation is made more complex by an amount for performance-based funding being identified and the inclusion of the statement “*If the provider does not meet the performance-based funding requirements, the Provider’s MBGA for a year will be adjusted to remove the performance-based funding amount specified above.*”

This creates ambiguity about the actual level of a university’s MBGA for higher education courses or, alternatively, how that amount is to be worked out. Ultimately, an exact amount must be identified. It is required for when the Department reconciles the amount payable for a year. The reconciliation for the 2021 year will occur in mid-2022.

The exact amount of MBGA is also needed to calculate the amount payable under the Higher Education Continuity Guarantee. This guarantee is another of the concessions made by the Government to secure passage of the JRG legislation. It has been implemented through a legislative instrument which specifies how to work out the amount of grant to be paid. It is being administered as a separate grant program and is not formally part of the CGS scheme under which student place subsidies are paid. Nevertheless, the amount of grant is equivalent to any amount of MBGA that is not paid under the CGS from 2021 to 2023 (see coloured box below).

In practice, the Higher Education Continuity Guarantee is unlikely to provide any significant benefit to universities. The CGS freeze has resulted in a substantial number of current CSP student places that are not subsidised and neither JRG, nor concessions such as pre-covid indexation, eliminate this subsidy shortfall. Inadequate allowance for grandfathered students is a further source of subsidy shortfall. These factors mean that a university would need to experience a significant drop in its student load for it not to be entitled to its full MBGA and hence obtain a benefit from the Higher Education Continuity Guarantee.

²⁴ Senate Standing Committees on Education and Employment (2020b)

²⁵ Higher Education Support Act 2003, Section 30-27(1)(a).

Comments on South Australian university allocations from the Innovative Places pool of funds

Publicly, all universities were invited to bid for an allocation of commencing student places to achieve the objectives set for the **Innovative Places** pool of funds. The information given to interested universities indicated that bids for commencing places were required to show:

- the strength of industry linkages (e.g. advanced apprenticeships for young people and work integrated learning)
- relevance to the labour market (e.g. skills needs and gaps, and job creation prospects)
- support for the aims of the new National Priorities and Industry Linkage Fund (NPILF)
- proportions of students from regional areas.

In 2021, each South Australian university received between \$2 and \$3 million in funding from the innovative places pool. Collectively, this amounted to 75 per cent of all the funds allocated in 2021 from this funding pool. The South Australian universities received a single lump sum of funding in 2021. There was no funding in later years as would normally occur with an allocation of commencing student places.

Every other university receiving funding for innovative places has an allocation each year from 2021 to 2023, consistent with the standard pipeline associated with commencing student places.

It would not be unreasonable for someone to conclude that these funds to South Australian Universities have been used to deliver whatever promises were made to secure the Senate vote of Senator Stirling Griff from the Centre Alliance. This objective was clearly more important than the industry linkage and labour market objectives associated with the funding.

The decision to use the funds in this way was not transparent and appears inconsistent with public information given to universities, though this did make clear that the Minister was the decision maker.

The Higher Education Continuity Guarantee

The Higher Education Continuity Guarantee is a grant, the amount of which is specified in the Other Grants Guidelines (Education) 2012. It does not require a decision of the Minister. The amount that is payable is calculated in accordance with the formula outlined in those guidelines. There are separate formulas for institutions listed on Table A in HESA (mainly Australia's public universities) and other providers. The formulas are substantially the same and differ mainly on technical details.

For Table A providers, the amount (HEGC) is calculated as follows:

$$HEGC = (Max - CGS \text{ Payments for relevant grant year})$$

Where:

Max = MBGA (Higher Education courses) + MBGA (designated courses) (i.e. medicine) + medical loading – Funding Agreement allocations for short courses and national priority places

CGS Payments for relevant year = the CGS payment for Higher Education courses + the CGS payment for designated courses (i.e. medicine) + medical loading – FA allocations for short courses and national priority places

This formula appears more complicated than is necessary. Some simple algebra reduces it to:

$$HEGC = [MBGA (\text{Higher Education courses}) + MBGA (\text{Medical courses})] \text{ minus } [CGS \text{ payments for higher education and medical courses}]$$

Appendix 8: Data for Chart 3 of the main paper

Maximum subsidy being delivered by Government compared to subsidy required to support its promised extra student places (\$m)

Year	Subsidy required to support places at 2014-2017 benchmark ration	Subsidy required to support the Government's promised extra student places	Subsidy being delivered by Government (total of university & other provider MBGAs)
2020	\$7,591		\$7,150
2021	\$7,529	\$7,563	\$7,144
2022	\$7,286	\$7,360	\$7,079
2023	\$7,210	\$7,339	\$7,100
2024	\$7,288	\$7,416	\$7,262
2025	\$7,436	\$7,589	\$7,497
2026	\$7,609	\$7,836	\$7,763
2027	\$7,800	\$8,064	\$8,040
2028	\$7,993	\$8,286	\$8,326
2029	\$8,207	\$8,508	\$8,623
2030	\$8,438	\$8,722	\$8,931

Appendix 9: Some comments on trading CSPs, funding for enabling places, Transition Fund Loading and the short courses policy agenda

Trading CSPs: Gordan Gekko visits higher education funding

The Government has indicated that a university unable to fully utilise its MBGA can trade its places with another institution. This is logistically difficult to achieve because it requires upward adjustment of the MBGA in the 'receiving institutions' funding agreement. The 'giving institution' needs to know that it has spare MBGA before a year has concluded in order to organise this trade.

There is little reason for an institution to trade away part of its MBGA unless it would improve its financial position. In effect, it would be trading MBGA for a profit. The receiving university would not receive the full benefit of the subsidy, despite providing the educational service. It is quite extra-ordinary for a government to put in place a policy that allows a government subsidy being provided for the benefit of a person to be arbitrated by a service provider.

The JRG reduction in funding for student places in enabling programs

The long-term consequences for enabling programs under JRG are unclear. Policy change to the enabling loading has been deferred for consideration as part of finalising arrangements for the Indigenous, Regional and Low SES Attainment Fund (IRLSAF).

Equity group representation in enabling programs is higher than in other courses. Enabling programs are used to prepare educationally disadvantaged students, often from lower socio-economic backgrounds, to undertake a higher education qualification. They may also be used to give any student the requisite knowledge and skills they need to undertake their chosen qualification. They provide students with both general study skills and discipline-specific knowledge.

In 2019, there were over 12,400 CSP student places in enabling programs. As can be seen in the table below, the average funding available for these places is reduced under JRG and is now only two thirds of that payable for an equivalent number of places in other courses with the same discipline mix.

Under HESA, the student contribution for any CSP student in an enabling program is set at nil and 'enabling loading' is paid to partially compensate for this. The JRG changes to subsidy levels lowered the subsidy payable for enabling programs by around \$25.5 million, nearly 15 per cent. There was no compensating change to the level of enabling loading which is already substantially lower than the normal student contribution and is paid for only 9,273 enabling student places. HESA does not prevent universities from offering full fee-paying places in enabling programs.

Funding for the 12,403 Commonwealth supported enabling places provided in 2019

	If standard CSP arrangement		Actual Enabling Places arrangement	
	Pre-JRG	JRG	Pre-JRG	JRG
CGS subsidies	\$173,717,869	\$148,202,498	\$173,717,869	\$148,202,498
Student contributions	\$105,610,064	\$121,926,118	\$32,018,786*	\$32,018,786*
Total	\$279,327,933	\$270,128,616	\$205,736,655	\$180,221,284
Revenue shortfall compared to standard CSP arrangement			\$73,591,278	\$89,907,332
Proportion of standard CSP revenue paid for enabling places			73.7%	66.7%

* These amounts are the enabling loading paid in lieu of student contributions, not student contributions.

Source: Department of Education, Skills and Employment (2020a).

The operation of Transition Fund Loading from 2021 to 2023

Understanding how this loading operates is made easier by assuming that a university's student load is either the same or greater than it was in 2020 and by temporarily disregarding the element dealing with changes in grants under the Higher Education Participation and Partnerships Program (HEPPP).

The formula for calculating a university's Transition Fund Loading for a year then simplifies to:

The student place revenue (subsidies and student contributions) actually received for student load in 2020 less the student place revenue received for a year under JRG (excluding revenue from Short Course and National Priority Places)

This formula means from 2021 to 2023 the loading **may** compensate a university for:

- the reduction in total student place revenue associated with JRG. On average, non-grandfathered student places attract revenue that is only 94.6 per cent of its pre-JRG value
- the inadequate allowance for grandfathered students in MBGAs.

The amount of compensation from these elements is reduced by a university's grant under the National Priorities and Industry Linkage Fund (NPILF), a fund totalling \$222 million a year.

Significantly, the formula also reduces the level of compensation by any amount of student contribution received from growth in student load after 2020.

- JRG generally does not return the subsidy shortfall from the CGS freeze until 2022. Consequently, student places in addition to 2020 student load may receive no subsidy.
- Despite this, the student contributions from these additional places will reduce the compensation provided through the Transition Fund Loading.
- Universities have little incentive to provide student places in addition to their 2020 student load during the transition years because many of these places may attract no revenue.

The Transition Fund Loading formula also includes any change in the grant to a university under HEPPP. The formula for distributing HEPPP funds was changed as part of JRG. Ultimately the formula change will redistribute around \$16 million in HEPPP funding between universities. The change is being phased in over four years.

- Many regional universities receiving higher rates of growth funding also receive additional HEPPP revenue which reduces their Transition Fund Loading.
- Many metropolitan universities receiving lower rates of growth funding receive less HEPPP revenue and may be compensated for this, provided it is not outweighed by student contribution revenue from additional student places.

The Transition Fund Loading formula is designed to ensure that any university whose student places may decline does not obtain a benefit simply by virtue of that fact. In such cases, the formula uses the student place revenue that would have been received in 2020 under the pre-JRG arrangements, rather than the student place revenue actually received.

The unclear policy agenda associated with Short Course Places

The Government's long-term outcome expectations from the Short Course Places it has provided during 2020 and 2021 is unclear, as is the long-term implication of its interest in micro-credentials.

Short course funding displays some signs of being little more than marketing to give the impression of doing something for universities during the current period of crisis and helping to bolster the Government's claim to be creating student places when the fate of JRG was still in doubt. It is being used to provide financial support to non-university providers affected by the downturn in international students.

The extent to which there is a serious policy agenda underlying short course funding is unclear. The initiative didn't arise out of any ongoing structured dialogue or review activity about gaps in the higher education system's meeting of labour market needs for skills and professionals.

- Undergraduate certificates are not playing the role envisaged for the proposed 'higher diplomas' recommended by the AQF review.
- Some of the Graduate Certificates attracting short course funding may be little more than excisions from postgraduate qualifications. The extent to which they will increase the employment prospects of those students who complete them is unclear.

Undergraduate certificates were created by the Minister effectively declaring their existence and organising for their inclusion and recognition in the AQF and regulatory frameworks as a higher education award until the end of 2021. The Government has said only that it "*will review the Undergraduate Certificate before the end of 2021 to determine its suitability to become a permanent part of the AQF*".¹ It is working with state and territory governments to do this. We know little about how the review is to be conducted.

Some universities are concerned that the provision of short course Graduate Certificates may reduce university revenue as they allow students to complete part of a postgraduate qualification as a Commonwealth supported student. This part of the qualification would otherwise be undertaken by the student on a full fee-paying basis and provide a greater level of revenue to the university than when it is undertaken on a Commonwealth supported basis.

In the 2021-22 Budget, the Government did not commit any funds for short courses beyond 2021. Given the level of subsidy available under JRG for 2022 is not sufficient to cover 2019 student load, most short courses will simply cease.

¹ Department of Education, Skills and Employment (2021e) – see FAQs on *What is the Undergraduate Certificate?* and *Will Undergraduate Certificates be offered past 2021? If not, what are the implications for students that are enrolled in a short course in 2021, but do not complete it by 31 December 2021?*

Appendix 10: Adjustments to working age population estimates

The COVID-19 pandemic has reduced the rate of growth of Australia’s population, including that of its working age population. These are not growing as quickly as estimated when the Australian Bureau of Statistics (ABS) released its latest population projections in 2017.²⁶ In this release, the ABS had an estimated working age population in 2020 of 16.8 million. Its most recent estimate for 2020 was 16.7 million.²⁷ The difference between its earlier estimates and the likely outcome will increase over time.

The Government’s 2021 *Intergenerational Report* released in June 2021 states:

*The most enduring economic effect of the COVID-19 pandemic and associated containment measures is likely to be from a lower population level. International border restrictions have sharply limited migration and the COVID-19 pandemic is also expected to lower the fertility rate in the short term.*²⁸

The Methodology and Assumptions Section of the Appendix to the 2021 *Intergenerational Report* states:

*The population projections in this report use the cohort-component method outlined in the 2020 Population Statement and the 2021-22 Budget. The assumptions for the components of population growth are the same as for the 2021-22 Budget but extend to 2060-61.*²⁹

The 2021 *Intergenerational Report* does not provide year by year estimates of the working age population. It has a working age population estimate of 18.3 million in the 2030-31 year. Several options were explored for adjusting estimates of Australia’s working age population to ensure that the working age population estimates used in this paper did not exceed that level. These are outlined in the table below.

The estimates in Column 4 were used in this report. They produce the more conservative estimate of the number of student places required to achieve the 2014 to 2017 benchmark ratio in the first half of this decade than would be obtained using any other column.

Year	Column 1	Column 2	Column 3	Column 4
	Working age population from 2017 ABS Population Projections, Series C	Most recent ABS estimate of 2020 working age population with the same year-on-year growth rate as in column 1	Column 2 with added linear reduction to achieve 18.3 million in 2031	Most recent ABS estimate of 2020 working age population with simple linear growth to achieve 18.3 million in 2031
2020	16,801,721	16,722,561	16,722,561	16,722,561
2021	17,030,527	16,950,289	16,916,311	16,865,965
2022	17,225,142	17,143,987	17,076,030	17,009,368
2023	17,436,630	17,354,479	17,252,544	17,152,772
2024	17,611,022	17,528,049	17,392,136	17,296,175
2025	17,802,147	17,718,274	17,548,382	17,439,579
2026	17,954,642	17,870,050	17,666,180	17,582,982
2027	18,123,382	18,037,995	17,800,147	17,726,386
2028	18,259,675	18,173,646	17,901,819	17,869,789
2029	18,420,940	18,334,151	18,028,345	18,013,193
2030	18,607,837	18,520,168	18,180,384	18,156,596
2031	18,762,159	18,673,762	18,300,000	18,300,000

Sources: Australian Bureau of Statistics (2018); Australian Bureau of Statistics (2018).

²⁶ Australian Bureau of Statistics (2018).

²⁷ Australian Bureau of Statistics (2021).

²⁸ Australian Government (2021b), p6.

²⁹ Australian Government (2021b), p156.