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Population growth as a factor to drive Commonwealth Grant Scheme funding growth

IRU Performance based funding Briefing 1

The Government proposes that the maximum basic grant amount a university can receive under the Commonwealth Grant Scheme from 2020 onwards be based on their 2017 maximum grant, with growth linked to performance and population growth of 18-64 cohort. If effect, this is a Commonwealth Grant Scheme cap. The *Performance-based funding for the Commonwealth Grant Scheme Discussion Paper* considers whether regional-based population growth is more appropriate than national population growth for determining increases in the funding cap.

The purpose of this briefing is to compare the projected growth rates by age group and region, and their implications for the Commonwealth Grant Scheme cap.

Findings

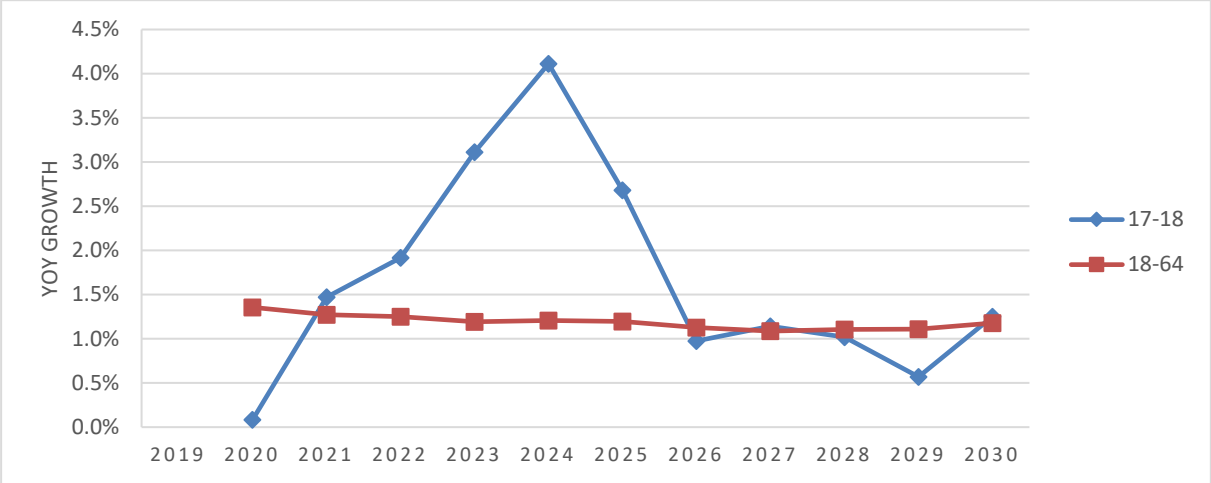
- Growth for 17-18 cohort is a better guide to the growth in demand over the coming decade. It targets change in the group that will drive enrolments in the decade following year 12.
- Population growth for the 17-18 cohort is flat for 2020, but rapidly increases and exceeds the broader 18-64 cohort in most years from 2021 onwards;
- Population growth rates vary considerably across states and territories, with greatest growth in Victoria versus no growth projected for Tasmania.

Population growth: the 17-18 cohort compared with the 18-64 cohort

The Discussion Paper cites a 1.2% projected population growth rate in 2020 for the 18-64 cohort based on ABS data (ABS 3222.0). This equates to an approximate $70 million increase in the Commonwealth Grant Scheme cap in 2020 (1.2% of the $5.95 billion in 2017). The Government projects growth in the decade to 2030 of between 1.1% and 1.2% per year.

The IRU analyses of the ABS data differ from the Discussion Paper's baseline projections, with a projected national growth of 1.4% in the 18-64 cohort in 2020, followed by growth of between 1.1% and 1.3% per year over the decade to 2030. However, the key differentiator is between growth in the 17-18 cohort versus the broader 18-64 cohort. Growth in this younger cohort is minimal for 2020 (0.1%), but it is projected to rapidly increase in the decade to 2030, peaking at more than triple the broader population growth rate in 2024 (4.1% versus 1.2%). The projected population growth rates by age group is shown in Figure 1.

Figure 1 – Projected Australian population growth by age groups

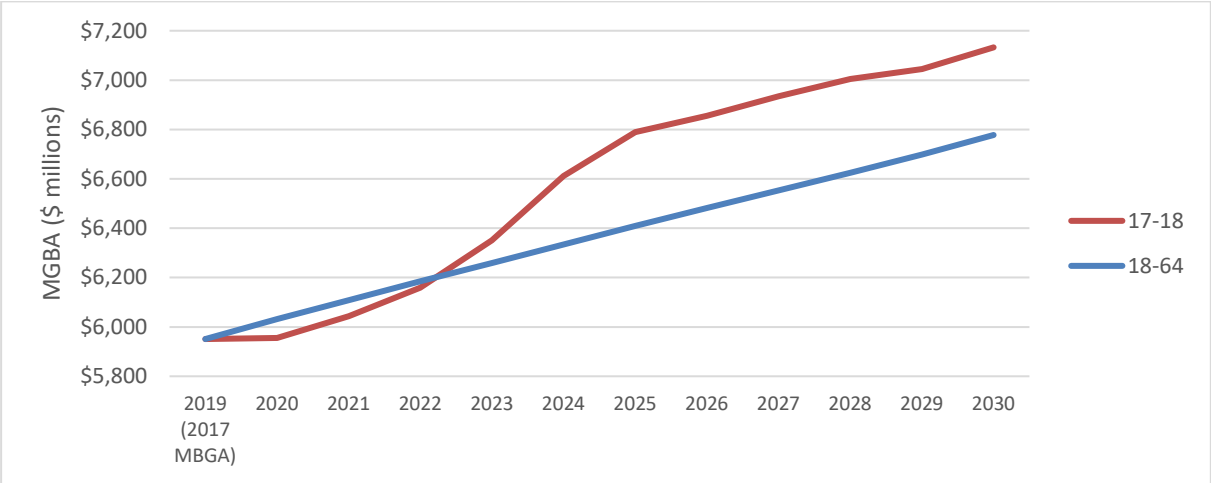


Source: ABS 3222.0 - Population Projections, Australia, 2017 (base) - 2066

Without indexation of the Commonwealth Grant Scheme cap, the funding will cover fewer and fewer student places each year it remains in place, with only the population increase to offset this. Assuming the population increase is intended to reflect changes in demand over the coming decade it would be better tied to younger cohorts, matching the age of most students. Linking growth in the Commonwealth Grant Scheme cap to the 17-18 cohort would target change in the group that will drive enrolments in the decade following year 12.

Figure two shows the total funding cap would be higher as a result of greater growth in the 17-18 cohort. In the longer term, and if combined with a reintroduction of indexation, this would go much of the way to ensure universities are not forced to exclude many suitable students.

Figure 2. Commonwealth Grant Scheme cap by year based on growth in 17-18 vs 18-64 cohort, 2019-2030 ($millions)



Sources: ABS 3222.0 - Population Projections, Australia, 2017 (base) – 2066; Higher education providers' 2018 - 2020 Commonwealth Grant Scheme funding agreements

Projected population growth by state and territory

Projected population growth varies by state and territory for both cohorts. For the 18-64 cohort (Table 1), growth is greatest in Victoria at 2.0% in 2020 and between 1.3% to 1.8% in the decade to 2030. Tasmania and South Australia are projected to have very low population growth of between 0% to 0.2% until 2024, with Tasmania facing projected population declines from 2026 onwards.

Projected population growth for the 17-18 cohort is more variable by state and for each year (Table 2). All states and territories are projected to have some years where growth in this cohort exceeds the national rate for the broader 18-64 cohort.

Table 1 – Projected population growth by state and territory, for 18-64 cohort, 2020 to 2030

Year	Australia	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
2020	1.4%	1.7%	1.4%	0.5%	1.4%	0.2%	0.2%	2.0%	0.6%
2021	1.3%	1.6%	1.3%	0.8%	1.3%	0.2%	0.1%	1.8%	0.6%
2022	1.3%	1.6%	1.2%	0.7%	1.3%	0.2%	0.0%	1.8%	0.9%
2023	1.2%	1.5%	1.1%	1.0%	1.2%	0.2%	0.0%	1.6%	1.0%
2024	1.2%	1.5%	1.1%	1.1%	1.3%	0.2%	0.0%	1.6%	1.2%
2025	1.2%	1.4%	1.1%	1.0%	1.3%	0.3%	0.0%	1.5%	1.3%
2026	1.1%	1.4%	1.0%	1.3%	1.2%	0.3%	-0.2%	1.4%	1.4%
2027	1.1%	1.3%	0.9%	1.2%	1.1%	0.3%	-0.1%	1.3%	1.5%
2028	1.1%	1.4%	1.0%	1.3%	1.2%	0.3%	-0.1%	1.3%	1.5%
2029	1.1%	1.4%	1.0%	1.3%	1.1%	0.4%	-0.1%	1.3%	1.5%
2030	1.2%	1.5%	1.1%	1.4%	1.2%	0.5%	0.0%	1.4%	1.5%

Source: ABS 3222.0 - Population Projections, Australia, 2017 (base) - 2066

Table 2 – Projected population growth by state, for persons 17 to 18 years of age, 2020 to 2030

Year	Australia	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
2020	0.1%	1.1%	0.2%	-0.1%	-0.6%	-0.7%	-2.4%	1.0%	-0.3%
2021	1.5%	2.2%	1.2%	-1.3%	1.5%	0.8%	-1.4%	2.2%	1.6%
2022	1.9%	2.5%	1.5%	-0.9%	2.6%	1.2%	2.4%	1.9%	2.3%
2023	3.1%	4.9%	2.8%	3.2%	3.6%	1.6%	4.1%	3.1%	3.7%
2024	4.1%	3.9%	3.9%	3.5%	4.0%	3.3%	3.2%	4.5%	4.9%
2025	2.7%	2.3%	2.8%	2.5%	2.6%	2.6%	1.9%	2.7%	3.0%
2026	1.0%	2.6%	0.8%	1.6%	1.2%	0.7%	0.5%	1.2%	0.6%
2027	1.1%	3.2%	1.0%	1.3%	0.9%	0.6%	-1.3%	1.8%	0.9%
2028	1.0%	2.1%	1.0%	1.8%	0.5%	0.1%	-0.9%	1.4%	1.8%
2029	0.6%	1.1%	0.6%	1.8%	0.0%	0.5%	-1.2%	1.2%	0.4%
2030	1.2%	1.9%	0.9%	0.6%	0.7%	0.7%	-1.4%	2.5%	1.0%

Source: ABS 3222.0 - Population Projections, Australia, 2017 (base) - 2066

State and territory factors should only be used in association with data on current participation to achieve similar outcomes across all regions of Australia.

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Conclusion

The Government should re-set the higher education funding framework announced at the end of 2017 so that universities can provide needed education outcomes:

- remove the cap on Commonwealth Grant Scheme funding for each university; or,
- if it will not do so,
  - index each university's cap annually in line with indexation of the Commonwealth Grant Scheme rates and then
  - apply a population growth factor that will meet growth in the university target group.

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