Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria

1. Purpose

To present the key findings and recommendations of the Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria, and to discuss possible implications for RMIT.

2. Background

The inquiry was conducted by the Education and Training Committee of the Parliament of Victoria between June 2003 and June 2004. The Committee was asked to investigate:

- The relationship between unmet demand and high-level skill shortages in the Victorian economy;
- Whether unmet demand has a negative effect on Victorian industry;
- How the demand for teaching and nursing places is affected by insufficient numbers of HECS places;
- How unmet demand impacts on the demand for TAFE places;
- The degree to which commonwealth higher education funding policies directly contribute to unmet demand;
- The need at the national level to improve cooperative arrangements between the vocational educational and training and higher education sectors.

In addition to a submitting a written response to the inquiry, RMIT representatives also gave evidence at a public hearing.

A summary of the findings and recommendations can be found in Appendix A. The final report of the inquiry is available at [http://www.parliament.vic.gov.au/etc/fs_inq_unmet.html](http://www.parliament.vic.gov.au/etc/fs_inq_unmet.html)

3. Key Issues and Implications for RMIT

3.1 General level of unmet demand

Given the contention over the best methodology to establish unmet demand (the most common being the one used by the AVCC), the Committee chose to conduct an independent analysis based on:

- Victorian applicants only
- Applicants who placed higher education as a first or second preference only
- An ENTER of 53 and above for Victorian school leavers
- Completion of Year 12 for mature applicants.

The Committee’s conservative estimate of unmet demand in 2003/2004 VTAC selection period was 13,000 unsuccessful applicants. This is compared to the AVCC estimate of 7,000 (revised down from 22,351 after discounting for various factors).

The Committee estimates that in 2004:

- One-fifth of eligible Victorian school leavers (5,054) missed out on a place
- Two-fifths of eligible mature applicants (7,970) missed out on a place
- Level of unmet demand in Melbourne is 29.8% (this is highest in low socio-economic regions).
- Level of unmet demand in rural and regional Victoria is 18.9% (this is highest in regions with a University campus).

As a result the report recommends:

- an increase the number of HECS funded places in Victoria, particularly in regional areas
- a co-ordinated approach to raise higher education participation rates in areas of disadvantage
• that the Commonwealth assists universities to expand regional provision and form partnerships with other post-compulsory providers.

Commentary
A preliminary analysis of unmet demand at RMIT undertaken by the IRCU shows that in 2003 it turned away 3505 eligible students, or 30% of applicants who applied to RMIT through VTAC.1 Of this figure, half were Victorian school leavers and half were mature applicants.

The strong correlation between unmet demand and low socio-economic status is of particular interest to RMIT given its commitment to providing educational opportunities to students from disadvantaged backgrounds. RMIT’s participation rates for students from low socio-economic backgrounds compares favourably to other Victorian institutions given its catchment area of the northern, and to some extent, the western suburbs.

3.2 Unmet demand for Nursing
The report found that in 2004 there were 1579 unsuccessful applicants for nursing (47.1%). Of these 24.5% were Victorian School Leavers and 75.5% were mature applicants. Over half of the unsuccessful mature applicants were attempting to articulate from TAFE.

As a result, it argues for an immediate and substantial increase in the number of Commonwealth funded places in the Bachelor of Nursing and postgraduate nursing specialisations.

Commentary
The high level of unmet demand for nursing places at RMIT is a mirror of general levels of unmet demand in Victoria and Australia for this discipline. The National Review of Nursing Education 2002 suggests Australia needs to replace some 31,000 nurses by 2006, including significant numbers of specialist nurses.

In 2003 the level of unmet demand for undergraduate nursing at RMIT was 54.3%. Out of a total of 4713 applications, 2558 applicants who satisfied requirements could not be offered a place. Although many of these applicants were Year 12 school leavers (474), a large number were mature applicants who had either commenced or completed tertiary (906).

RMIT recently put in a bid for additional places for nursing as part of the 2005-2008 profile round.

3.3 Unmet demand for Teaching
The report found that in 2004 there were 2,607 unsuccessful applicants for teaching (54.7%), comprising 42.3% of Victorian School Leavers, and 57.7% of mature applicants.

It argues that although there is currently not a general shortage of teachers in Victoria, the ageing workforce will increase the need for new graduates. Current shortages exist in specialist skill areas such as maths, science, IT, and languages, especially in regional and rural Victoria.

The report recommends that the State government negotiate with Commonwealth as part of 2005-08 profile setting process for further allocation of HECS places in the Bachelor of Education.

Commentary
Demand for teaching programs at RMIT rose substantially in 2003. Of the 2,593 total preferences for teaching, including 608 first preferences, 140 places were offered. This growth is largely attributed to the State government’s recruitment campaign during 2002 that raised the profile of teaching as a career and created expectations that graduates would find employment.

3.4 Impact of unmet demand on TAFE
The report identified that articulation arrangements between TAFE and higher education in Victoria are inadequate, and recommended the development of national articulation arrangements. It recommends

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1 Methodology for determining unmet demand differs from the one used in the report. Eligibility in this instance is Victorian applicants only; applicants who placed higher education as a first preference only; ENTER of 50 and above for Victorian school leavers; and, satisfaction of entry requirements.
that a separate funding stream and specific allocation of HECS places for articulation from TAFE to higher education.

Given that Victoria has the majority of dual institutions in Australia, and therefore the highest proportion of potential articulants, the report argues that the Victorian TAFE sector is the worst affected by unmet demand. It found that students who fail to obtain a university place displace a small proportion of traditional TAFE applicants, but that the extent of this is difficult to measure. As a result, the Committee recommends further research be undertaken to identify the full extent of displacement, and that this becomes a formal part of Commonwealth profile setting.

Commentary
Given that future Commonwealth funding will focus on institutional articulation and credit transfer arrangements, RMIT is in the process of assessing and improving its capability in this area. RMIT’s performance in relation to VET articulation has fluctuated below and above its own target (10% of commencing undergraduate students) over the past few years, but has been consistently above the national average.

Some of the issues identified as problems at RMIT include:
- Inadequate articulation arrangements for students
- Potential articulants are enrolling at other institutions
- Lack of effective articulation arrangements for partners.

There is currently work in progress which is intended to bring identify solutions to these issues. A paper will be presented to VCE in mid-August.

3.5 Impact on the Economy
The report found that unmet demand is an important factor contributing to skill shortages, which in turn has a negative impact on the Victorian economy. This is particularly a problem in regional Victoria.

Skill shortages in the medical, dentistry and nursing professions are directly related to the levels of unmet demand in these disciplines. The report recommends an urgent and substantial increase in higher education places for these disciplines.

The report makes special mention of the difficulty in obtaining definitive and quantifiable estimates of labour shortages. It recommends that State and Commonwealth governments and industry develop sophisticated labour market forecasting systems, and that this be used in profile setting process.

Commentary
One of the limitations of the report is that it defines unmet demand primarily in terms of prospective student demand for places compared to supply. More emphasis could have been given to analysis of unmet for graduates by industry, as noted in this section.

In its approach to profile RMIT has addressed these issues by considering both unmet demand for particular disciplines and labour market trends. By consulting widely with industry RMIT seeks to provide educational access that is aligned to future needs of industry, and therefore leads to good graduate employment outcomes.

3.6 Impact of Commonwealth Higher Education Policies
The report found that Victoria has lost 6000 Commonwealth HECS places since 1996. It argues that the Higher Education Support Bill will lead to further reductions in funding to Victorian universities, leading to an increase in the high levels of unmet demand.

The report makes particular mention of the fact that Victoria received only 9.4% of total converted marginal places while supporting 16% of total over-enrolments in Australia.

It also suggests that regional loading doesn’t cover additional costs of delivering higher education in regional and outer suburban areas, and fails to take into account campuses of metropolitan based universities based in these areas.
The report proposes a new approach to higher education funding based on a multivariate formula that reflects the needs of both school leavers and mature age applicants. It recommends that future allocation of university places be based on extensive consultation between the Commonwealth and State Governments and the university sector. The Commonwealth should also review the allocation methods used for the conversion of marginally funded places.

**Commentary**

RMIT supports the recommendation to develop a higher education funding model that will reverse the growing trend in unmet demand in Victorian universities. As part of the consultation process leading to the development of the Commonwealth Grants Scheme, RMIT proposed a tri-partite model that addressed some of the concerns raised by the inquiry. This model proposed that:

- 50% of places be allocated on the basis of current distribution
- 30% of places be allocated to regions on the basis of current levels of participation
- 20% of places be allocated to DEST priority areas.

It its submission RMIT argued that the composite model would advantage different institutions and result in a more even distribution of HECS places. Targets for ‘new to higher education’ students would have ensured that mature applicants were not disadvantaged.

**4. Conclusion**

Overall, the report’s findings and recommendations contains few surprises for RMIT. RMIT has already provided comprehensive responses to the changes occurring in higher education and has proactively positioned itself for additional funding for nursing and teaching. One of the report’s weaknesses is the lack of sophisticated analysis of unmet demand in relation to industry needs. This is an area in which RMIT has something to offer as it has developed a sound approach to linking profile to industry trends, thereby ensuring students are graduating with relevant skills.
Appendix A: Findings and Recommendations from the Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria

### Introduction

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<th>Findings</th>
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<td><strong>Finding 1.1:</strong> That published estimates of unmet demand in Victoria vary significantly and tend to understate the level of unmet demand for higher education. Further, that unless a nationally consistent approach to measuring unmet demand is adopted, the issue of unmet demand for higher education across Australia cannot be adequately or equitably addressed.</td>
<td><strong>Recommendation 1.1:</strong> That a nationally consistent measure of unmet demand for higher education be established by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in consultation with State and Territory Admissions Centres.</td>
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### Level of Unmet Demand in Victoria

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<td><strong>Finding 2.1:</strong> That the number of Victorian applicants failing to receive a university offer at a Victorian university increased from 14,593 in 1997 to 21,695 in 2003, increasing the levels of unmet demand from 28% in 1997 to 37% in 2003. This is due to the failure of the Commonwealth Government to increase the number of university places in response to increasing demand for higher education among individuals, industry and the community.</td>
<td><strong>Recommendation 2.1:</strong> That the Commonwealth Government progressively increase the number of HECS funded places in the Victorian university system to ensure all qualified applicants have access to a university education – 13,000 being the Committee’s conservative estimate of unmet demand in Victoria in 2003/04.</td>
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<td><strong>Finding 2.2:</strong> That, according to the Committee’s conservative definition of unmet demand, nearly one-fifth of Victorian School Leavers or 5,054 students who were capable of undertaking higher education courses were not able to access a government funded university place in the 2003/04 VTAC selection cycle.</td>
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<td><strong>Finding 2.3:</strong> That, according to the Committee’s conservative definition of unmet demand, 41% of Mature Applicants or 7,970 potential students who were capable of undertaking higher education courses were not able to access a government funded university place in 2003/04. Further, that this is of concern as Victorians need to be able to access higher education in order to maintain a relevant skill base and to participate in lifelong learning.</td>
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### Finding 2.4:
That based on the Committee’s conservative estimate, over 13,000 eligible Victorians did not receive an offer of a HECS funded university place in 2003/04, including over 5,000 Victorian School Leavers with ENTER scores of 53 and above and nearly 8,000 eligible Mature applicants.

### Finding 2.5:
That based on the Committee’s conservative estimate, the average level of unmet demand for higher education across metropolitan Melbourne is 29.8% and that unmet demand in metropolitan Melbourne is highest in regions with the highest levels of socio-economic disadvantage.

### Finding 2.6:
That the Western suburbs have the highest level of unmet demand for higher education (32.7%) across metropolitan regions and that a large proportion (36.1%) of this unmet demand is being sourced from applicants wishing to articulate from TAFE to higher education.

### Finding 2.7:
That based on the Committee’s conservative estimates, the average level of unmet demand across rural and regional Victoria is 18.9%, with higher levels of unmet demand generally occurring in regions with a major university campus. Further to this, the Committee finds that the presence of a university campus stimulates demand for higher education in the local region, which cannot be met without adequate Commonwealth Government resourcing.

### Recommendation 2.2:
That the Victorian Government work with the Commonwealth Government, local schools and higher education institutions to devise strategies to lift the higher education participation rate in areas of disadvantage.

### Finding 2.8:
That a substantial pool of eligible applicants for higher education nursing courses currently exists in Victoria, and that 1,579 high quality Victorian applicants who applied for a nursing place were unsuccessful in securing a place in nursing, representing 47.1% unmet demand in this discipline.

### Finding 2.9:
That of the high number of students failing to gain a place in nursing degree courses, 75.5% were Mature applicants and 24.5% were Victorian School Leaver applicants. Further, approximately 55% of unsuccessful applicants within the Mature cohort were applicants wishing to articulate from TAFE certificate courses into a university degree course in nursing.

### Recommendation 2.3:
That the State Government negotiate with the Commonwealth Government to ensure an increase in the Commonwealth Government funded student load for regional Victorian universities and campuses in the next student profile round. Further, that the Commonwealth and State Governments use their substantial influence as the primary funding provider and the regulator, respectively, to encourage and support universities to expand regional provision and to form and maintain partnership arrangements with other post-compulsory providers to ensure that a greater range of courses are offered in regional and rural Victoria.

### Recommendations addressing the nursing and teaching disciplines are found in recommendations 3.1 and 3.2 below.
Finding 2.10: That a substantial pool of eligible applicants for teaching degree courses currently exists in Victoria, and that 2,607 high quality Victorian applicants that applied for a teaching place in 2003/04 were unsuccessful in securing a teaching place, representing 54.7% unmet demand in this discipline. The Committee finds that unmet demand for teaching courses is comprised of 42.3% of Victorian School Leavers and 57.7% of Mature applicants.

Finding 2.11: That social, cultural, financial and geographic barriers reduce the number of potential applicants for higher education and that this latent demand is likely to be highest in low SES areas, and rural and regional Victoria.

Finding 2.12: That Victorian universities, and particularly regional and outer suburban universities and campuses, have the capacity and the willingness to absorb a large proportion of unmet demand if the Commonwealth Government increases the number of HECS funded places.

Relationships between Unmet Demand for Higher Education and Skills Shortages, Industry and Economy

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<td><strong>Finding 3.1:</strong> That unmet demand for higher education has the potential to negatively affect the economy, resulting from:</td>
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<td>- A less adaptable workforce, with a decreased capacity to meet the challenges of a globalised market and technological change</td>
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<td>- Reduced international competitiveness of Victorian industry</td>
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<td>- Increased levels of unemployment</td>
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<td><strong>Finding 3.2:</strong> That unmet demand for higher education negatively effects industry by increasing the costs associated with recruiting skilled professionals.</td>
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<td><strong>Finding 3.3:</strong> That unmet demand for higher education is likely to reduce the diversity of future student populations and hence, the diversity of the future workforce. This may lead to:</td>
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<td>- A reduction in the domestic and international competitiveness of local businesses and industry</td>
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<td>- A reduction in the capacity of industry to meet the health and other service needs of a diverse community</td>
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<td><strong>Recommendation 3.1:</strong> That the State Government work through the Australian Health Ministers Council to request that the Commonwealth Government provide:</td>
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<td>- Additional HECS funded higher education places in crucial health disciplines currently experiencing severe skill shortages</td>
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<td>- A further allocation of HECS funded medical places as a matter of urgency</td>
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<td>- Additional HECS funded places in the Bachelor of Dental Science at the University of Melbourne</td>
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<td>- An immediate increase in HECS funded places in undergraduate nursing courses and postgraduate nursing specialisation courses and that greatest priority be given to increasing the number of places in rural and regional Victoria</td>
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<td>- Increased support for organizations taking undergraduate students for clinical placements</td>
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<td>- Increased assistance to students to undertake higher education course in health disciplines currently experiencing severe skill shortages</td>
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<td>- Incentives and assistance for students to practise in the public health sector and in rural and regional Victoria after graduation.</td>
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**Finding 3.4:** That unmet demand for higher education is one of a range of factors that contributes to high level skill shortages in Victoria. Other factors include conditions in the macroeconomic environment, the industry environment and the local labour market.

**Finding 3.5:** That a lack of higher education provision in regional Victoria has a twofold impact on skill shortages. First, the lack of local availability of a range of higher education courses directly contributes to skill shortages, as the local population does not have access to a broad range of education and training opportunities. Second, opportunities for children and/or spouses to undertake higher education locally may also affect a person’s decision to take up regional employment opportunities.

**Finding 3.6:** That where students have to leave their local community to undertake higher education, this may lead to:
- Regional labour and skill shortages
- An ageing of the local workforce and community
- Staff recruitment and retention difficulties for local business

**Finding 3.7:** That the presence of regional universities and campuses and the opportunity to meet demand for higher education in the regions may provide considerable stimulus to local economies, industries and cultures. The benefits to regions include:
- Boosting demand for local businesses and services
- Helping to attract and retain young people in regional areas
- Contributing to the development of regional competitive strengths
- Stimulating community engagement and involvement in local projects and research.

**Finding 3.8:** That there is a clear relationship between current and projected future shortages in the medical, dentistry and nursing professions and current levels of unmet demand for places in courses leading to employment in these vocations.

**Finding 3.9:** That Victoria urgently requires a substantial increase in HECS funded higher education places in a range of health professions, including medicine, dentistry and nursing.
**Finding 3.10:** That the nursing sector needs an immediate and substantial increase in the number of places available in Bachelor of Nursing courses and postgraduate nursing specialisation courses across Victoria.

**Finding 3.11:** That both the Commonwealth and State Governments have an integral role and responsibility to inform future resource allocation processes for university places in the health disciplines, and that the future allocation process must place greater weight on addressing severe skill shortages experienced in the health sector, particularly in rural and regional Victoria.

**Finding 3.12:** That there is not currently a general shortage of teachers in Victoria, but that due to factors such as the ageing workforce, the need for new graduate teachers will increase. Further, that there are current shortages of specialist secondary teachers in maths, science, information technology and languages other than English and that these shortages are more likely to present serious challenges in rural and regional Victoria. These shortages are likely to worsen unless there is a substantial increase in the intake and completion rates of teacher education courses in targeted specialisations.

**Finding 3.13:** That there is a lack of sophisticated labour forecasting systems able to provide definitive and quantifiable estimates of labour shortages in Victoria and Australia.

**Recommendation 3.2:** That the State Government negotiate with the Commonwealth Government as part of the 2005-2008 profile setting process for a further allocation of HECS funded places in Bachelor of Education courses throughout Victoria, and that the State and Commonwealth Governments work in a co-operative manner to ensure that an appropriate number of places are targeted at rural and regional Victorian university campuses and in disciplines with projected future shortages.

**Recommendation 3.3:** That the State Government, in partnership with the Commonwealth Government and industry, develop a sophisticated labour market forecasting system to provide reliable, quantifiable and up-to-date information on skill shortages, and that this system serve as a key source of advice in the allocation of places in higher education courses.

**Recommendation 3.4:** That the State Government work in partnership with Victorian industry and the university sector to develop a range of strategies to ensure that sufficient numbers of quality applicants are attracted to targeted higher education courses. Further, that these strategies are employed to ensure that targeted graduates are recruited in professions and occupations currently experiencing a high level of skill shortages.

### Impact of Unmet Demand for Higher Education

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<td><strong>Finding 4.1:</strong> That current ad hoc arrangements are insufficient in addressing the growing interface between the VET and higher education sectors, particularly in rural and regional areas. Further that the growing number of co-operative arrangements between these sectors needs to be supported by appropriate long term funding to</td>
<td><strong>Recommendation 4.1:</strong> That the Victorian Government move to establish a joint Committee of ANTA MINCO and MCEETYA to institute formal national articulation arrangements, including a separate funding stream and a specific allocation of HECS places for articulation from TAFE to higher education.</td>
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ensure their viability into the future.

**Recommendation 4.2:** That the Victorian Government move to ensure that cross-sectoral funding be reviewed every two years by a joint ANTA MINCO and MCEETYA Committee to ensure that cross-sectoral arrangements remain financially feasible, and that articulation processes are of high quality and remain a viable pathway to higher education.

**Finding 4.2:** That the substantial presence of dual sector institutions in Victoria has resulted in the State having the highest proportion of students articulating from TAFE to higher education in the country and hence, the impact of unmet demand for higher education in the TAFE sector is likely to be greater in Victoria that in any other state.

**Finding 4.3:** That students who unsuccessfully apply for university in Victoria displace a small proportion of traditional TAFE applications. However, it is difficult to determine the full magnitude of this displacement due to the large number of TAFE applications that are made outside of the VTAC system.

**Finding 4.4:** The Committee finds that unmet demand for higher education is likely to displace some traditional TAFE candidates. Further, this displacement effect is caused by three separate cohorts:
- Students who apply to TAFE as an alternative, discrete choice, as a fall-back opportunity if they are unsuccessful in obtaining their first preference of a university course.
- Students who apply to TAFE with the intention of seeking entry to a university course through articulation pathways.
- Latent demand for higher education, associated with a range of economic and socio-cultural factors.

**Recommendation 4.3:** That the Victorian Government, with the assistance of the Victorian Tertiary Admissions Centre, the Local Learning and Employment Networks and TAFE Institutes, identify the full extent to which unmet demand for higher education causes displacement of vulnerable cohorts from the TAFE sector. Further, that this information become a formal part of the Commonwealth profile setting process.

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### Unmet Demand and Commonwealth Government Higher Education Funding Policies

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<td><strong>Finding 5.1:</strong> That Victoria has lost approximately 6,000 Commonwealth fully funded/HECS places since the 1996 budget.</td>
<td><strong>Recommendation 5.1:</strong> That future allocation of university places follows extensive consultation between the Commonwealth and State Governments and universities to ensure that delivery adequately reflects government, community, institutional and individual student’s needs and capacities.</td>
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<td><strong>Finding 5.2:</strong> That the Nelson reforms were passed through the Senate on the 5 December 2003 in the context of a sector that was believed to be generally under-funded and with reductions occurring in Commonwealth funded places to Victorian universities</td>
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**Finding 5.3:** That the introduction of the Commonwealth Grant Scheme has changed the nature of higher education funding from a block grant system into a purchaser-provider model which is more restrictive than the current funding model.

**Finding 5.4:** That Victoria received only 9.4 per cent of the total converted marginal places while supporting 16 per cent of the total over-enrolments in Australia.

**Finding 5.5:** That the allocation of converted marginal places greatly disadvantages Victorian universities and fails to take into account high student demand and the need to maintain a highly skilled workforce in Victoria. Further, that this allocation has the potential to negatively affect the higher education sector for many years to come.

**Finding 5.6:** That the Victorian university sector has been constrained in its capacity to respond to unmet demand by a range of factors since 1996, and will continue to be unable to respond to increasing demand over the coming years, meaning that the already high level of unmet demand will be further increased.

**Finding 5.7:** That while the introduction of the regional loading has been welcomed, it:
- Does not sufficiently cover the additional costs associated with delivering higher education in regional and outer suburban areas.
- Makes an unfair distinction between stand alone regional universities and campuses of metropolitan based universities that are located in outer suburban and regional areas.

**Recommendation 5.2:** That after the implementation of the 2003 reforms, the Commonwealth Government review the allocation methods used for the conversion of marginally funded places with a view to bringing about a fairer allocation of places.

**Future Higher Education Allocation Methods**

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<td><strong>Finding 6.1:</strong> That the most equitable and appropriate allocation mechanism is a multi-variate formula based model that utilises indicators reflecting the needs of school leavers and mature age university applicants, in recognition of the importance of both cohorts to ensuring a well educated and flexible workforce.</td>
<td><strong>Recommendation 6.1:</strong> That the Victorian Government place on the next MCEETYA agenda a requirement for a review of the allocation mechanism for university funding in an attempt to achieve a new national approach to university funding. Such an approach should incorporate a more sophisticated multi-variate based model that reflects the needs of both school leavers and mature age university applicants and that therefore better meets the needs of the community and economy into the twenty first century.</td>
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