



# *Australian Education Union*

*Ground Floor, 120 Clarendon Street, Southbank, Victoria, 3006  
PO Box 1158, South Melbourne, Victoria, 3205  
Federal Secretary : Susan Hopgood  
Federal President : Correna Haythorpe*

**Federal Office**  
Phone : +61 (0)3 9693 1800  
Fax : +61 (0)3 9693 1805  
Email : [aeu@aeufederal.org.au](mailto:aeu@aeufederal.org.au)  
Web : [www.aeufederal.org.au](http://www.aeufederal.org.au)

1 February 2019

Budget Policy Division  
Department of the Treasury  
Treasury Building  
Langton Crescent  
Parkes ACT 2600

Email: [prebudgetsubs@treasury.gov.au](mailto:prebudgetsubs@treasury.gov.au)

Dear Sir/Madam,

**Re: AEU Pre-Budget submission to the Department of Treasury on priorities for the 2019-2020 Budget**

Please find attached the Australian Education Union's submission in response to the invitation from the Assistant Minister for Treasury and Finance to provide a pre-Budget submission on our priorities for the 2019-20 Budget.

Please contact me if you have any questions in relation to this submission.

Yours sincerely,

A handwritten signature in blue ink that reads 'S Hopgood'.

Susan Hopgood  
Federal Secretary



## **Australian Education Union**

# **Pre-Budget submission to the Department of Treasury on priorities for the 2019-20 Budget**

**February 2019**

**Correna Haythorpe**  
Federal President

**Susan Hopgood**  
Federal Secretary

**Australian Education Union**  
PO Box 1158  
South Melbourne Vic 3205

Telephone: +61 (0)3 9693 1800  
Facsimile: +61 (0)3 9693 1805  
Web: [www.aeufederal.org.au](http://www.aeufederal.org.au)  
E-mail: [aeu@aeufederal.org.au](mailto:aeu@aeufederal.org.au)

## ***Introduction***

The Australian Education Union (AEU) represents over 187,000 educator members employed in the public primary, secondary, early childhood and TAFE sectors throughout Australia.

We welcome the opportunity to respond to the invitation from the Assistant Minister for Treasury and Finance the Hon. Zed Seselja, to submit our views on priorities for the 2019-20 Budget.

We note the announcement that the Government is seeking pre-budget submissions includes the claim that as a result of the “Government’s strong economic record and disciplined budget management, the budget is expected to return to surplus in 2019-20” and that the “2019-20 budget will reflect the Government’s plan to keep the economy strong and guarantee the essential service on which Australians rely.”<sup>1</sup> The AEU suggests that public education is without a doubt an essential service on which Australians rely and strongly recommends that a significant portion of that expected surplus is used to make a significant investment in the proper and full funding of public education. This submission makes the case that properly funding and resourcing education, from the early years through schooling to post-secondary education is essential to fairness, opportunity and security in this country.

The AEU believes the proper funding of public education through a needs-based, sector-blind model that incorporates the full Schooling Resource Standard (SRS) provides the basis for fairness and equality of opportunity in education. As such, it should be seen as a sensible and responsible investment rather than viewed in a reductionist way as a cost that must be contained.

Changes to Commonwealth funding arrangements for education contained in the *Australian Education Act* amended in 2017 dismantled the co-ordinated needs-based approach to schools funding initiated by the *Australian Education Act 2013*, and in the almost two years since the *amendment* there has been further destruction of the original aims and focus of the 2013 Act. The \$3.6 billion of additional private schools funding over ten years from 2020 coupled with the euphemistically named \$1.2 billion “Choice and Affordability Fund, both announced in September 2018, demonstrate that the Government’s current funding priorities are neither needs based nor sector blind. In addition, the cuts to public schools of \$1.9 billion in 2018 and 2019, the first part of an estimated \$14 billion due to be cut from public schools over the next decade constitutes the largest single transfer of public money to private schooling ever seen in this country.

Changes to state and federal funding of schools announced in a series of bi-lateral National School Reform Agreements (NSRAs) signed between the various state governments and the Commonwealth in November and December 2018 further entrench funding inequality, with only 1.3% of public schools meeting the SRS from combined state/territory and commonwealth government’s contributions by 2023 compared to over 90% of private schools.<sup>2</sup>

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<sup>1</sup> Hon. Zed Seselja, Media release, retrieved from <https://www.financeminister.gov.au/assistant/media-release/2018/12/19/2019-20-pre-budget-submissions>

<sup>2</sup> AEU internal analysis of NSRA bi-lateral agreements 2018, retrieved from <https://www.education.gov.au/national-school-reform-agreement-0>

This submission will demonstrate these changes are neither fair nor fiscally responsible. On the contrary, they deepen the existing inequity between school systems and the gap in learning outcomes in education. The AEU's position, which is supported by a large and credible body of national and international research, is that investment in equity in our education system is vital to Australia's social cohesion, employment, continued economic growth and future commercial prospects.

The Organisation for Economic Development's (OECD) recent *Education at a Glance* (2018) accurately conveys this view when it says:

*Giving everyone a fair chance to obtain a quality education is a fundamental part of the social contract. To improve social mobility and socio-economic outcomes, it is critically important to eliminate inequalities in educational opportunities. This will promote inclusive growth by broadening the pool of candidates for high-skilled jobs.....Higher levels of educational attainment are associated with several positive economic and social outcomes for individuals. Highly educated individuals are more socially engaged and have higher employment rates and higher relative earnings.<sup>3</sup>*

In light of the proven positive correlation between equity in education and a broad range of social indicators, it is imperative that the Commonwealth Government ensures that government schools are guaranteed funding at a minimum of 100% of the SRS.

### ***The need for properly resourced schools***

Decades of assessment data shows that resource levels are a major determinant in achievement. The most recent OECD report of 2015 Programme for International Student Assessment (PISA) data found that 15-year-old students performed better in science when they had access to 'high-quality educational resources (including science teachers, laboratories and extracurricular activities), on average, after accounting for the socio-economic profile of students and schools'.<sup>4</sup> Data from the International Trends in Mathematics and Science Study (TIMSS) shows similar relationships, finding that 'Australian Year 8 students who attended schools where mathematics instruction was not affected by resource shortages achieved an average mathematics score that was significantly higher than that for students attending schools where instruction was affected'.<sup>5</sup> The availability and quality of these resources are directly related to levels of funding. Similarly, the 2015 PISA report also found that:

*...About one-third of the variation in science performance across OECD countries is explained by the degree of equity in the allocation of education resources across advantaged and disadvantaged schools, with more equitable systems performing better, on average.<sup>6</sup>*

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<sup>3</sup> OECD (2018), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. pp. 42-43.

<sup>4</sup> OECD (2017). *PISA in Focus #76: How do schools compensate for socio-economic disadvantage?*, OECD Publishing, Paris. Retrieved from [http://www.oecd-ilibrary.org/education/how-do-schools-compensate-for-socio-economic-disadvantage\\_a77ee9d5-en](http://www.oecd-ilibrary.org/education/how-do-schools-compensate-for-socio-economic-disadvantage_a77ee9d5-en), p.3

<sup>5</sup> Thomson, S., Wernert, N., O'Grady, E., Rodrigues, S. (2017). *TIMSS 2015. Reporting Australia's results*, ACER. Retrieved from [http://research.acer.edu.au/timss\\_2015/2/](http://research.acer.edu.au/timss_2015/2/), p.158

<sup>6</sup> OECD, (2017). op cit

The relationship between system quality and equity has also been found in other contexts (including other subject areas covered by PISA<sup>7</sup> and relationships revealed through data collected for TIMSS over 20 years<sup>8</sup>); however, it is difficult to examine educational equity without also examining how resources are distributed between schools and systems with varying levels of need and varying capacities to effectively address their needs. This is precisely the failure of the Commonwealth Government's decision to limit the Commonwealth's share of funding to public schools to an arbitrary proportion of costs based on school sectors. As noted by Dr Ken Boston (AO) in a speech early in 2017:

*...the view that government schools are a state matter, and that fee-paying, government-funded non-government schools are a Commonwealth matter, is outrageous: the Commonwealth of Australia has a role in relation to the education of all young people in Australia, and every state minister for education has responsibilities for the education of all young people in the state, regardless of the schooling sector they attend.*<sup>9</sup>

In the same speech, Dr Boston also articulated the relationship between resources and outcomes, particularly for disadvantaged students. In doing so he also outlined some of the interventions required to the best outcomes for those students including,

*...smaller class sizes, specialist personnel to deliver the appropriate tiered interventions, speech therapists, counsellors, school/family liaison officers including interpreters, and a range of other support. And that support requires money. You cannot deliver education as a genuine public good, without strategically differentiated public funding directed at areas of need. That's what [the original 2011 report from] Gonski sought to achieve.*<sup>10</sup>

Australia is now at the point where public funding of education has fallen significantly behind that of other OECD countries. In 2005, the OECD reported Australia's total public funding of education at 10.6% of total government expenditure, and by 2015 this had fallen to 9.3% - far below the 2015 OECD average of 11.0%.<sup>11</sup>

### ***The Schooling Resource Standard and Student Achievement***

The current situation with regard to the funding of school education is untenable. For decades it has been widely recognised that Australia's school funding is inequitable. Funding arrangements have been characterised by ad hoc political accommodations and failed to take account of the actual needs of Australian schools, students and school communities. Recent years have seen the coalition government continually prioritise the appeasement of the independent and Catholic school lobbies over the maintenance of the provisions of the

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<sup>7</sup> Sahlberg, P.(2012). Quality and Equity in Finnish Schools, *School Administrator*. Retrieved from [https://pasisahlberg.com/wp-content/uploads/2013/01/Qualit\\_and\\_Equity\\_SA\\_2012.pdf](https://pasisahlberg.com/wp-content/uploads/2013/01/Qualit_and_Equity_SA_2012.pdf)

<sup>8</sup> Mullis, I., Martin, M. & Loveless, T. (2016), 20 Years of TIMSS. International Trends in Mathematics and Science Achievement, Curriculum and Instruction, TIMSS & PIRLS International Study Center. Retrieved from <http://timssandpirls.bc.edu/timss2015/international-results/timss2015/wp-content/uploads/2016/T15-20-years-of-TIMSS.pdf>

<sup>9</sup> Boston, K.(2017). 'Vision or hallucination? Some reflections on the Gonski Review', Address to the TJ Ryan Foundation Brisbane, 14 February 2017. Retrieved from <http://apo.org.au/system/files/73736/apo-nid73736-29261.pdf>

<sup>10</sup> Ibid

<sup>11</sup> Australian Education Union, media release, retrieved from <http://www.aeufederal.org.au/news-media/media-releases/2018/september/120918>

*Australian Education Act 2013*. The recent and entirely unwarranted \$4.6 billion funding increase to private schools, the Commonwealth governments' insistence on an arbitrary 20% of SRS cap on government funding to public schools and the tens of billions of dollars that public schools will lose from the implementation of the five year National School Reform Agreements provide yet more evidence of the entrenched unequal distribution of resources in Australian schools.

This inequity in funding has been a major factor in the performance of Australian students in international testing, and in achievement and educational attainment gaps between students from disadvantaged backgrounds and those from more advantaged backgrounds, which are greater than in comparable nations.

Decades of research, including the 2011 Gonski Review and the body of independent research commissioned by the review, has established beyond doubt that those most affected by these inequities are the most vulnerable and disadvantaged students and the schools, predominantly in the public sector, which serve them.

The 2015 Program for International Student Assessment (PISA) data, provides further confirmation of the long-term trend whereby students from relatively advantaged backgrounds perform significantly better than those from disadvantaged backgrounds.<sup>12</sup> It shows that achievement gaps in science, maths and reading performance between students in the highest and lowest Socio Economic Status (SES) quartiles are comparable to around three years of schooling; one and a half years between metropolitan and remote school students;<sup>13</sup> and over two years between Indigenous and non-Indigenous students.<sup>14</sup>

These understandings regarding inequity in learning outcomes formed the basis of the major changes to Australia's funding arrangements proposed by the Gonski Review and the subsequent legislation, the *Australian Education Act 2013*. The aim of the Act and the resulting National Education Reform Agreements (NERAs) between states and the Commonwealth was very clear: to lift the achievement of all students through increased investment in schooling that targeted disadvantaged cohorts, thus reducing the impact of aggregated social disadvantage on learning outcomes.

By implementing and fully funding the Gonski funding arrangements over a six year transition period beginning in 2014 – a base per-student funding level with additional needs-based loadings targeted to disadvantage – the objective was to bring schools across the country up to an appropriate level of resources, the Schooling Resource Standard (SRS). This standard was recognised as the minimum requirement to give every child, regardless of background, the opportunity to achieve their potential.

The *Australian Education Act 2013* entailed significant growth in Commonwealth support to public education in order to meet student need and deliver the SRS. Recurrent funding to schools was to increase according to the dictates of a range of bi-lateral NERAs between the federal government and states, typically aimed at bringing schools to 95% of the SRS by

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<sup>12</sup> ACER, *PISA 2015: a first look at Australia's results*. Sue Thomson, Lisa De Bortoli, Catherine Underwood. December 2016. pp.60–63

<sup>13</sup> ACER, *PISA 2015*, op.cit., pp.56–59

<sup>14</sup> ACER, *PISA 2015*, op.cit., pp.56–59

2019. Of those increases, a high proportion – \$12 billion of the original \$14.5 billion announced by the Gillard government, or 83% – was to be directed to government schools.<sup>15</sup>

The additional resources provided by original Gonski funding arrangements and distributed according to the National Education Reform Agreements between states/territories and the Commonwealth had a demonstrable impact on learning, and the AEU documented the positive impact of increased resources extensively in its two publications “Getting Results Volume 1 & 2”.<sup>16</sup>

The *Australian Education Amendment Act 2017*, the subsequent huge increase in funding to private schools and the deleterious impact of the Commonwealth government’s arbitrary 20% cap on SRS contributions in public schools in the 2018 five year bi-lateral NSRAs has severely curtailed the progress that was made as a result of the original *2013 Act* toward equity and makes educational opportunity in Australia primarily a matter of privilege.

### ***Current funding to schools – unjust, inefficient and necessitating fiscal repair***

The *Australian Education Amendment Act 2017* changed the objectives and implementation of the *Australian Education Act 2013*, particularly the application of a systemic model to achieving needs-based funding of all students regardless of socioeconomic advantage. In doing so, the changes introduced by the *2017 Act* to schools funding resulted in, simultaneously, the systematic underfunding of the government school system through the arbitrary 20% cap on Commonwealth contributions to the SRS and the overfunding of the non-government school system. These changes have been further embedded by the \$4.6 billion increase in funding to private schools announced by the Morrison Government in September 2018 and the bi-lateral National School Reform Agreements (NSRAs) signed in November/December 2018.

### ***The government’s ‘80/20’ policy and the removal of the Commonwealth requirement to ensure 100% funding of SRS***

While making very substantial cuts to the funding targeted at student need, the *2017 Act* also curtailed the federal mechanism to redress inadequate funding of government schools – such as it was deployed through the *2013 Act* and the National Education Reform Agreement (NERA).

Under the previous NERA arrangements, the Commonwealth was required to increase government schools funding by at least 4.7% per year until they reach their full SRS. This transparent and purposeful approach to funding has been stopped and in its place is the current arbitrary 20% cap on federal government funding of government schools as mandated in the *Australian Education Amendment Act 2017* and reinforced in the 2018 bi-lateral agreements. There is no transparent or evidenced based rationale for this unequal funding arrangement. It creates, for all practical purposes, a legislative barrier to meeting the minimum funding target of 100% of the SRS in government schools. This is because increased federal funding of public education is the principal mechanism through which the historic and systemic underfunding of government schools by the states can be ameliorated. Federal funding was the mechanism used to comprehensively deliver the needs based reforms

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<sup>15</sup> Retrieved from <http://www.abc.net.au/news/2013-04-14/gillard-announces-details-of-gonski-education-reforms/4627910>

<sup>16</sup> Australian Education Union (AEU), “Getting Results – Gonski funding in Australian Schools”, Vol.1 (2016) & Vol. 2 (2017)

in the 2013 *Act*, and now the 20% cap mandated in the 2017 *Act* and the 2018 bi-lateral NSRAs has curtailed that capacity.

In contrast to this curtailment of government schools funding, the 80% federal government funding support for non-government schools, regardless of their state and territory funding, that is mandated in the 2017 *Act* ensures overfunding of these institutions. From a fiscal point of view, the federal government's failure to meet its duty of care to children in public schools can only exacerbate inequity, with deleterious fiscal consequences.

Despite the high proportion of children from low-income households in the government school system<sup>17</sup>, the above changes have entailed significant cuts with a disproportionate impact on children in government schools, whilst at the same time increasing resource to private schools, whose students are typically at the upper end of household incomes. Hence, whilst the purpose of the 2013 *Act* was to increase funding to target the needs of children who experience disadvantage (typically those in government schools), 73% of the total cut to schools funding by the government in the 2017 *Act* were directed at precisely that cohort.<sup>18</sup>

### ***Relative share of the cuts in dollars***

The final arrangements under the *Australian Education Amendment Act 2017* entailed a cut of \$17 billion from the previous funding arrangements. These cuts were largely directed at public school children, while the non-government schools' share of funding dramatically increased, and was then swiftly increased further as one of Prime Minister Morrison's first actions. Under the funding plans implemented by the Gillard government, public schools were to receive over 80% of the funding increases. By contrast the Turnbull government's 2017 *Act* saw government schools receive 49% of the increases, and the Morrison government's recent blatant \$4.6 billion bribe to the Catholic and independent sector was made without providing any recompense at all for public schools.<sup>19</sup>

The effect of these funding changes is that a large number of private schools receive more government funding than similar public schools at both the school and per capita level. A recent AEU analysis of My School data showed that in 2016, 35% of Australia's private schools received more public funding than the average similar public school, a seven fold increase from 5% in 2009, and that 85% of private schools received more public funding than *any* similar public school, increased from 58% in 2009. The analysis showed that among private schools that receive more government funding than public schools, on a per capita basis, the median gap between the private and public grew by 76% between 2009 and 2016 – to \$970 per student.<sup>20</sup>

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<sup>17</sup> Senate Committee: Education and Employment. Question on notice. Budget Estimates. Department of Education and Training, QON SQ17-000750

<sup>18</sup> Australian Education Union, retrieved from <http://www.aeufederal.org.au/application/files/1415/1780/3180/subPre-Budget122017.pdf>

<sup>19</sup> <https://www.pm.gov.au/media/true-needs-based-funding-australia%E2%80%99s-schools>

<sup>20</sup> AEU Internal Analysis of 2016 My School data

### ***Government school funding as a percentage of SRS now and 2023***

Throughout November and December 2018, as directed by the 2017 *Act*, all states and territories (except Victoria<sup>21</sup>) signed five year bilateral funding agreements with the Commonwealth. Under these agreements the Commonwealth government's imposed 20% contribution cap coerces states and territories into revising their commitments to public school funding and for all purposes permanently removes the full SRS as an attainable funding goal. Under these agreements by 2023 public schools in every jurisdiction except the ACT will still be funded at less than 100% of the SRS.

**Table 1: Public schools – Combined State/Territory and Commonwealth SRS contribution for 2023 as agreed in 5 year bi-lateral NSRAs**

	<b>2023 State/Territory and Commonwealth combined SRS share</b>
ACT	100.0
New South Wales	92.22
Northern Territory	79.00
South Australia	95.00
Tasmania	94.08
WA	95.00
QLD	89.26
VIC <sup>22</sup>	95.00*

The impact of these new bi-lateral NSRAs is to further reduce the potential for public schools in all jurisdictions except the ACT to reach the full SRS at any time in the next five years.

### ***Non-government school funding in relation to the SRS***

In stark contrast to the ongoing and increasing shortfall in government schools funding which will likely see nearly 99% of public school students not funded to the full SRS amount by 2023, six states and territories (ACT, NSW, Tasmania, WA, QLD and Victoria) have committed to fund private schools at or above 100% of SRS by 2023, and these account for 91.5% of all private schools and 92.1% of all private school students in Australia

### ***The stealth funding cut of the 4% depreciation allowance***

In addition to the top line reductions in SRS outlined above, the new bi-lateral agreements include provision for states and territories to include “additional expenditure items” variously, items such as building depreciation and transport costs within their SRS calculations. This items have never been included in SRS calculations before and are not included in national SRS colocations. This narrows the gap between actual spending and the SRS goals by four percentage points and further reduces the actual effective SRS contribution

<sup>21</sup> Victoria eventually signed two short term funding agreements covering the first 6 months of 2019

<sup>22</sup> Estimate based on Victorian government's stated objective of increasing state SRS share to 75.0% by 2023

made by each state or territory. It also undermines the entire concept of the SRS as a benchmark for equitable funding in schools. Trevor Cobbold, a former Productivity Commission economist states<sup>23</sup>:

*The inclusion of these additional expenditure items in the SRS as a measure of progress towards the 75% target undermines national consistency in the definition of net recurrent income and the SRS. It is contradictory to measure progress towards the SRS target by including items in the measure of state funding that are excluded from the national measure of the SRS. It undermines the SRS as an objective measure of the resources needed by schools.*

### ***Excessive funding of non-government schools***

In the context of its immediate objectives around budget repair, fairness and opportunity, it is incumbent upon the Morrison government to provide a rationale for the systematic overfunding of the non-government school sectors. The government must explain on what grounds this is justified as an efficient and responsible use of public money. In addition, steps must be taken to ensure the public interest and public expectations of fairness are reflected in this budget. This is also in keeping with the findings of the Australian National Audit Office (ANAO) on DET schools funding arrangements under the Turnbull government:

*The arrangements established by the Department of Education and Training to monitor the impact of Australian Government school funding do not provide a sufficient level of assurance that funding has been used in accordance with the legislative framework, in particular the requirement for funding to be distributed on the basis of need.<sup>24</sup>*

This finding is consistent with the observations on current funding policy made above, namely, that Morrison Government policy in federal education funding, like the Turnbull governments' policy before it, is not consistent with the principle of need. The Government's 20% cap on commonwealth funding of public schools will ensure that a tiny minority will reach 100% of SRS by 2023, whereas the inverse applies for private schools – the Commonwealth Government's promise to deliver 80% of SRS to private schools by 2023 will mean that the vast majority of private schools in Australia will exceed 100% of SRS in five years. This greatly increases the risk that funding will not be distributed in accordance with *Act's* requirement of distribution on the basis of need.

In response to this conclusion, the ANAO proposes the Turnbull government address the issue of the proper allocation of funding according to need and recommends:

*a risk-based approach to monitoring compliance with requirements established under the Australian Education Act 2013 and, in keeping with the intent of the Act, increase the transparency surrounding the allocation and use of Australian Government school funding.<sup>25</sup>*

A further risk to the integrity of the objective of maintaining needs based funding is the deflation of funding against increasing student enrolments. This budget is an opportunity to

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<sup>23</sup> Cobbold, Trevor (2018), retrieved from <http://www.saveourschools.com.au/funding/public-schools-are-swindled-by-billions-under-new-education-agreements>

<sup>24</sup> ANAO Report No.18 2017–18; Monitoring the Impact of Australian Government School Funding, p. 8

<sup>25</sup> *Ibid*, p. 10

ensure these approaches to managing deflationary risk, which have been absent to date, are applied with rigour.

### ***Capital funding***

Current inconsistencies in capital and recurrent funding in the independent and public systems result in further inequities in schools funding. The differing status of capital funding as a separate category in the non-government school system has resulted in specific funding advantages in favour of non-government schools. Federal funding calculations typically have not incorporated this systemic difference and as a result government schools are disadvantaged.

The effect of this anomaly has been significant in that it creates an historic trend toward capital funding being a burden that dilutes recurrent funding in the government school system.

The AEU recommends a separate capital funding stream in order to address the anomaly and to assist in ensuring the capital needs of the government school system are met.

Currently, capital funding of non-government schools is substantial. The total additional capital funding available to private schools over the next decade tops \$1.9 billion. A total of \$165.9 million was spent in 2018 and \$146.7 million has already been allocated for 2019.<sup>26</sup>

The AEU recommends this budget introduce a comparable level of additional capital funding for government schools in order to ensure adequate resources are available to meet student need in this area. This position is consistent with the Gonski Review, which highlighted the critical importance of the federal government taking responsibility for capital funding in public schools independently of recurrent funding.

### ***The shift toward greater inequity in schools funding and educational outcomes is closely linked to the demographic composition of the different school systems***

The disparity in the funding between government and non-government is significant because the socioeconomic profile of schools in each of the sectors is very distinct.

*Government schools have almost twice as many students from low-income families as they have from high-income families, while other (non-Catholic) non-government schools reverse this, having twice as many students from high-income families. Catholic schools have more students from high-income families than from low-income families, and the largest proportion of students in Catholic schools are from medium income families.*<sup>27</sup>

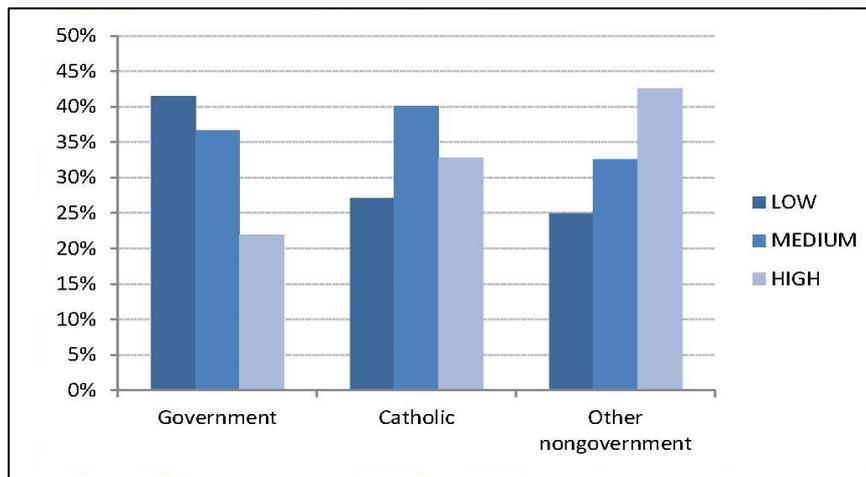
This trend toward household income differentials between students in the different school systems is more acute at the secondary level than the primary level. This means that as children grow older, they are exposed to increased socio-economic segregation in schooling.

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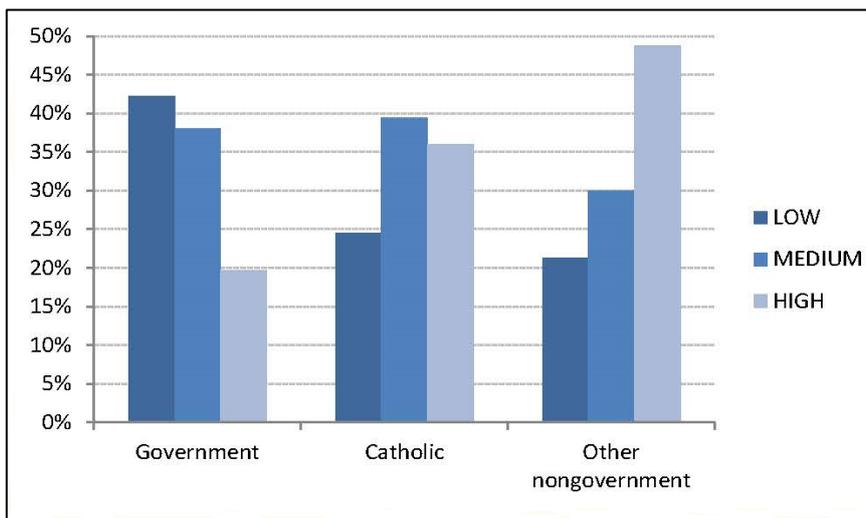
<sup>26</sup>Data tables retrieved from <https://www.education.gov.au/capital-grants-non-government-schools>

<sup>27</sup> Preston. B, The Social Make-up of Schools, 2013, p. 5

**Figure 1: Percentage of students in each of government, Catholic and other non-government primary schools with LOW, MEDIUM and HIGH family incomes, Australia, 2011<sup>28</sup>**



**Figure 2: Percentage of students in each of government, Catholic and other non-government secondary schools with LOW, MEDIUM and HIGH family incomes, Australia, 2011<sup>29</sup>**



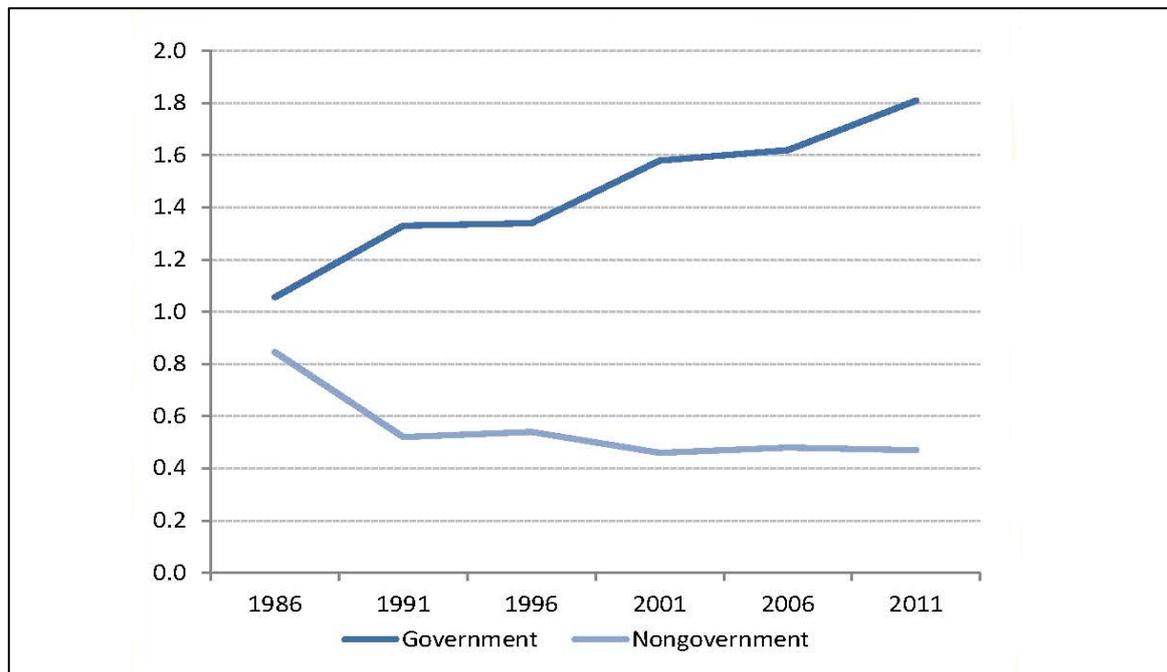
This trend toward inequity in resourcing and segregation between the school systems has become more pronounced in recent decades. In 1986 both government and non-government sectors had similar proportions of students from high and low-income households.

As a direct result of the policies of successive commonwealth governments and their support for the private school sector, between 1986 and 2011 the difference in the ratio of low to high family income of students in the government and non-government systems became significantly more pronounced, particularly in secondary schools. (See below, Figure 3).

<sup>28</sup> Ibid p.5

<sup>29</sup> Preston. B, The Social Make up of Schools, 2013, p.6

**Figure 3: Ratio LOW to HIGH family income of secondary school students, government and non-government schools, indexed to all secondary students in each Census year, 1986 to 2011<sup>30</sup>**



The distribution of low, high and middle-income households in the schools system means that the current bias in federal government funding to non-government schools has the effect of discriminating against the children in the government school system, who are typically from low-income and middle-income households. This type of bias has no justification in terms of social or fiscal policy. It simply leads to greater social stratification and inequity in learning outcomes, which weaken the Australian government’s fiscal position (the evidence for which shall be explored below).

### ***Residualisation***

As early as 1984, Preston<sup>31</sup> introduced the term “residualisation” to describe the changing and unequal relationship between the school systems in Australia. Preston describes the concentration of students from lower socioeconomic backgrounds in government schools. Crucially, Preston identifies a pattern where stratification in the distribution of student socioeconomic background in the schools systems is accompanied by not only a loss in direct participation, but also declining political and financial support for government schooling among middle and high-income households<sup>32</sup>.

<sup>30</sup> Ibid, p.7

<sup>31</sup> Preston B. (1984), Residualisation: What's that?, The Australian Teacher, No. 8, May 1984, p. 5,

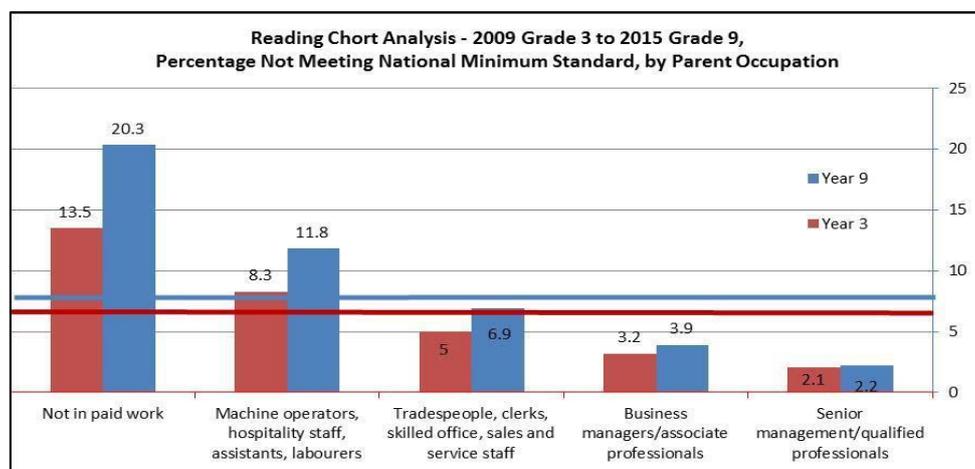
<sup>32</sup> Preston. B (2013), p.8

## *Inequity in learning outcomes in Australia*

Illustrative of this trend toward stratification is Australia’s pattern of inequity in learning i.e. the correlation between low socioeconomic status and poorer learning outcomes. For example, in 2009, 6% of the year 3 cohort did not meet the national minimum standards for reading. Children of the unemployed were grossly over represented in the sample at 14%<sup>33</sup>. Yet over time, this disparity in learning outcomes between socioeconomic strata became more acute. By year 9 (2015) in the same cohort, 20% of the children of the unemployed failed to meet national minimum standards in reading. By contrast, the rates of underachievement among the children of senior management and qualified professionals remained static at 2% between year 3 in 2009 and year 9 in 2015.

In a society characterised by fairness and equal opportunity, we would expect public funding of the education system to help improve outcomes for children in lower SES quartiles over time. Unless we accept the notion that social stratification is based on ability, a position not supported by the Gonski Review<sup>34</sup> or the weight of any evidence, then providing children with access to educational opportunity should directly result in a weaker correlation between social class (as measured by SES) and educational outcomes. However, in Australia, precisely the opposite is occurring. Educational opportunity is not equally available. The needs of children in higher income households have been privileged by successive coalition governments over the needs of children from lower income households. The result of which is that inequity in learning outcomes intensify the longer a child spends in the school system.

**Figure 4: Reading Cohort Analysis, by Parent Occupation<sup>35</sup>**



<sup>33</sup> Rorris, A (2016). ‘Australian Schooling - The price of failure, the reward for success’, April 2016 p.14

<sup>34</sup> Gonski, D., Boston, K., Greiner, K., Lawrence, C., Scales, B. and Tannock, P. (2011), Review of Funding for Schooling: Final Report. Australian Government, p.105 asserts “The belief that the underlying talents and abilities of students that enable them to succeed in schooling are not distributed differently among children from different socioeconomic status, ethnic or language backgrounds, or according to where they live or go to school”

<sup>35</sup> Rorris, (2016), p.14

## *Students with Disability*

It is not only students from lower income households who suffer from lack of access to educational opportunity through funding inequities resulting from the recent *Australian Education Amendment Act 2017*. Almost 70% of students with disabilities attend public schools<sup>36</sup>, which work extremely hard to ensure that issues such as access, specialist support, and health and wellbeing are appropriate so that they can learn in a safe environment, but the stark reality is that this cannot be achieved without adequate funding, and while the number of students eligible for disability loading continues to grow, the total per student amounts of available funding are in decline.

The loading for students with a disability (SWD loading) was an unfinished part of the Gonski reforms from 2014 due to intransigence of the Abbott Government and the slow rollout of the Nationally Consistent Collection of Data (NCCD).

The publication of the NCCD has exposed the huge difference between the numbers of students that schools currently are funded to support and the number they actually have to provide assistance to. In the AEU's 2018 *State of our Schools* survey of thousands of principals and teachers across Australia, nearly four in five (81%) of public school principals said that they do not have sufficient resources to cater for students with disability and nearly nine in ten (88%) said that they divert funds from other areas to assist students with disability.<sup>37</sup>

At the time that the NCCD adjustments levels were introduced former Education Minister Simon Birmingham said that the increase in the number of funded students through the SWD loading was projected to increase from around 212,000 to 470,000 in 2018.<sup>38</sup> According to the Education Council's Nationally Consistent Collection of Data on School Students with Disability, the total number is higher, at 724,624 students funded through SWD loading in 2018. However, the overall increase in the number of students masks a substantial reduction of both the overall level of funding available and the amount of loading each student is eligible for.

Instead of a flat rate for each student, there is now a level of funding (set out in the Australian Education Regulation) for each of the three highest levels of adjustment that students with disability are judged to be receiving in the NCCD: supplementary, substantial and extensive. In addition to this, the NCCD captures a fourth level of support, defined by the government as "support provided within quality differentiated teaching practice", which the Commonwealth states "which means a student requires monitoring and support from the teacher and school staff; for example personalised learning" before going to explain "but this can be done without the need for additional funding."<sup>39</sup> This begs the question of how increased monitoring and support and personalised learning, all of which require an intensive

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<sup>36</sup> Education Council, *2016 Emergent data on students in Australian Schools receiving adjustments for disability*, retrieved from [https://www.education.vic.gov.au/Documents/school/principals/health/ED17-0046%20SCH%20NCCD%20Report%202017\\_ACC%20%281%29.pdf](https://www.education.vic.gov.au/Documents/school/principals/health/ED17-0046%20SCH%20NCCD%20Report%202017_ACC%20%281%29.pdf)

<sup>37</sup> The AEU (2018), *State of Our Schools Survey*, demonstrates most principals (88%) agree they have "students with disability at your school who you have to assist using funds from other areas of your budget because they are ineligible for targeted government funding or the amount you receive is inadequate".

<sup>38</sup> Simon Birmingham, Minister of Education (June 21, 2017), *Parliamentary Debates (Hansard)*. Commonwealth of Australia: House of Representatives. Col. 4596

<sup>39</sup> Department of Education and Training Fact Sheet, retrieved from <https://www.education.gov.au/what-government-doing-support-students-disability>

amount of teacher resource, can be as breezily dismissed as not needing to be funded in any way?

**Table 2: 2019 students with disability loading by NCCD level of adjustment**

	Base per student amount in 2019	Supplementary	Substantial	Extensive
Primary student	\$11,343	42%	146%	312%
		(\$4,764)	(\$16,561)	(\$35,390)
Secondary student	\$14,254	33%	116%	248%
		(\$4,704)	(\$16,535)	(\$35,350)

*Note: The table shows the 2019 amounts under the full SRS and does not take into account a school's transition arrangements to consistent Commonwealth shares of the SRS.*

As Table 2 shows, the supplementary and substantial levels of funding are set well below the flat rate that applied to all students with a disability prior to 2018.

The 3.56% annual indexation currently applied to these loadings does very little to address the overall cutting of funding to students with disabilities that the introduction of incremental “levels of adjustment” represents. The impact of the switch to incremental adjustment levels does not impact on children in all states equally, and the jurisdictions with the lowest overall attainment levels are the worst hit. Tasmania, has incurred funding cuts of 46% from \$18 million to \$9.7 million, and the Northern Territory, taken a 36% cut from \$26.7 million to \$17.2 million.<sup>40</sup>

To date the federal government has provided no clear evidence for how it set the funding levels for each of the three levels of adjustment. What is apparent is that funding levels have been set without any obvious relationship to student need, and hence without a coherent fiscal logic. This is a matter for the forthcoming budget to address, in a transparent manner, in consultation with appropriate schools and disability sector organisations.

All students deserve a fair chance to reach their potential – we call on the Commonwealth to reverse cuts to funding for students with disability and to review loading for students with disability to determine the real costs of ensuring that all students with disability can access a high-quality education.

### ***Rural, regional and remote schools***

Children living in regional, rural and remote communities are subject to significant resource gaps in comparison to their urban peers. The severity of this inequity in learning is discussed in some detail in the AEU’s submission to the federal government’s Independent Review into Rural, Regional and Remote Education<sup>41</sup>.

<sup>40</sup> AEU, *Fair Funding Now! Delivering fair and equitable funding to public education* (2018), p.25.

<sup>41</sup> AEU, (2017). Submission to the independent review into regional, rural and remote education. Retrieved from <http://www.aeufederal.org.au/application/files/9215/0630/3811/subRegionalRural092017.pdf>

Given the over representation of rural and remote students in government schools, and how the socioeconomic profiles of these cohorts lean toward lower SES quartiles, the long term damage done by the recent bi-lateral NSRAs pushed onto the states/territories by the Commonwealth mean that every state and territory (except the ACT) will fail to reach the full SRS by 2023 and this will have a disproportionate impact on students in rural, remote and regional locations. As a consequence, the agreements, particularly the 20% cap on Commonwealth SRS contributions, are likely to widen the gap between student learning and attainment in urban and non-urban areas with the long term damage extending well beyond the five year time period the agreements cover.

In order to meet its obligation to regional, rural and remote communities, the Morrison Government must take the opportunity presented in the current budget and the expected surplus to address the disadvantage faced by these communities and protect the children in these communities from the impacts of funding inequity. This can be achieved through budget measures that will remove the 20% cap on Commonwealth SRS contributions and deliver 100% funding of the SRS to rural, regional and remote schools.

### ***Aboriginal and Torres Strait Islander students***

Geographic location and socioeconomic stratification are also important factors when considering the federal government's obligations to appropriately resource schools to meet the educational needs of Aboriginal and Torres Strait Islander students. The most recent Closing the Gap Report (CTG) shows that whilst there have been improvements across the three schools-based CTG targets (attendance, reading and numeracy, and year 12 attainment) over a decade, there remains an acute difference in educational outcomes between Aboriginal and Torres Strait Islander and non-Aboriginal and Torres Strait Islander students.<sup>42</sup> Whilst it is positive that the target for year 12 attainment is on track to be met by 2020, the target to halve the gap in reading and numeracy for students in years 3, 5, 7 & 9 and the target to close the gap in school attendance by 2018 have not been met.<sup>43</sup> Furthermore, the data shows that the gap between Aboriginal and Torres Strait Islander students and non- Aboriginal and Torres Strait Islander students increases with remoteness.<sup>44</sup>

Resources are a crucial component of closing the gap in educational outcomes for Aboriginal and Torres Strait Islander students, particularly in regional, rural and remote communities.

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<sup>42</sup> Commonwealth of Australia (2018) Department of the Prime Minister and Cabinet, Closing the Gap Prime Minister's Report 2018

<sup>43</sup> Ibid pp.51 – 64.

<sup>44</sup> Ibid

As noted by Riddle and Fogarty:

*“Closing the gap in education is intrinsically linked to multiple aspects of socioeconomic disadvantage, including access to quality health, employment, incarceration rates and housing. These combine to form the social determinants of educational success.”<sup>45</sup>*

In our Submission to the House of Representatives Standing Committee on Indigenous Affairs 2015 Inquiry into Educational Opportunities for Aboriginal and Torres Strait Islander Students, the AEU asserted:

*“(Meeting the needs of Indigenous communities in education) is resource-intensive, and cannot be achieved in a political environment where actions by Federal, State and Territory governments undermine and diminish their responsibility for the provision of long-term sustainable public services. Equity for disadvantaged students cannot be achieved unless a high priority is given to addressing the achievement gaps which confront Aboriginal and Torres Strait Islander children.”<sup>46</sup>*

This submission outlined a range of initiatives and programs that have demonstrated positive results for Aboriginal and Torres Strait Islander students. For example, Northern Territory schools funded under the National Partnership Agreement for low-SES schools saw funded primary schools make greater literacy and numeracy gains than unfunded schools.<sup>47</sup> The submission also contains accounts of schools which have successfully invested extra funding gained under previous NERA arrangements to make tangible improvements to outcomes for Aboriginal and Torres Strait Islander students.<sup>48</sup>

It is evident that the changes made to state and territory SRS contributions and the imposition of the 20% commonwealth government contribution cap will make it more difficult to capitalise on gains that have been made since the introduction of the Closing the Gap framework in 2008. This is particularly the case in the Northern Territory, which under the new bi-lateral agreement will have the lowest level of base SRS funding of any jurisdiction through to 2023. Despite having the highest levels of student disadvantage in the country, the proposed combined territory and commonwealth contributions to public schools, where 44% of all enrolments are Aboriginal and Torres Strait Islander students,<sup>49</sup> will peak at 79.0% of SRS in 2023.

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<sup>45</sup> Stewart Riddle and Bill Fogarty (2015). ‘Closing the Gap in education report card: needs improvement’, The Conversation, retrieved from <https://theconversation.com/closing-the-gap-in-education-report-card-needs-improvement-37455>

<sup>46</sup> Australian Education Union (2015), Submission to the House of Representatives Standing Committee on Indigenous Affairs Inquiry into Educational Opportunities for Aboriginal and Torres Strait Islander Students, pp.4–5.

<sup>47</sup> Ibid, p.10

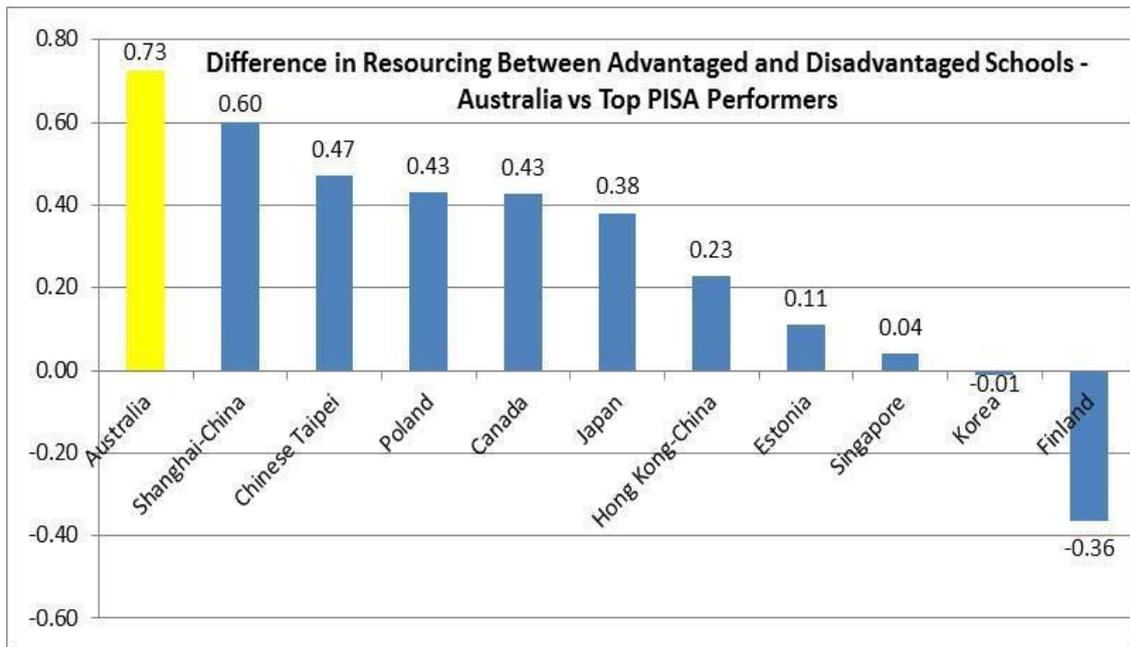
<sup>48</sup> Ibid, p.11

<sup>49</sup> Northern Territory Department of Education (2018) Annual Report, Northern Territory Government, pp. 72

*Evidence to support the link between schools resourcing and performance*

The extent of disparity in resourcing between advantaged and disadvantaged schools in Australia, and the impacts discussed above, are out of step with high performing schools systems across the world.

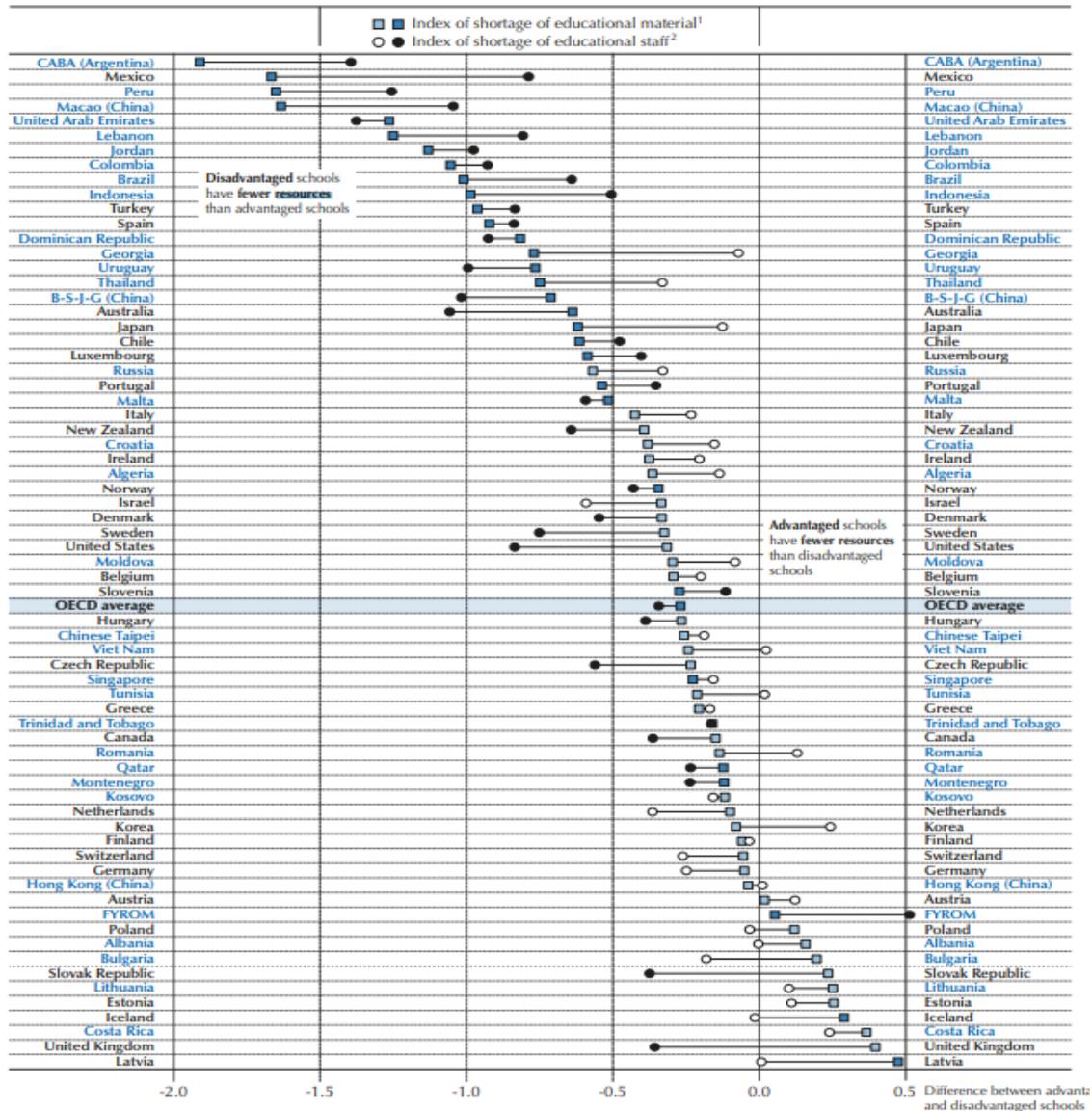
**Figure 5: Difference in Resourcing between Advantaged and Disadvantaged Schools Australia vs Top PISA Performers<sup>50</sup>**



This is demonstrated by the OECD data above showing the relationship between equity in resourcing and PISA results. Inequity in resourcing in Australia is more pronounced than the trends in schools funding equity in top performing countries.

<sup>50</sup> Rorris (2016), p.25

**Figure 6: Differences in educational resources between advantaged and disadvantaged schools<sup>51</sup>**



As shown in figure 6, above, Australia has the fourth highest level of inequity in terms of educational resources allocated to advantaged and disadvantaged schools in the OECD – only Mexico, Turkey and Spain have higher levels of inequity in resourcing and provide disadvantaged schools less resource than advantaged schools.

These OECD findings are corroborated by a recent report by United Nations International Children’s Emergency Fund (Unicef) that shows that Australia has the second most unequal education system among the world’s richest countries, and along with New Zealand and Slovakia is in the bottom third on every measure of equity analysed by Unicef.<sup>52</sup> Of the 38 countries included in the report that received rankings for Preschool, Primary School and

<sup>51</sup> OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA, OECD Publishing, Paris.

<http://dx.doi.org/10.1787/9789264266490-en>, p.231.

<sup>52</sup> UNICEF Office of Research (2018). ‘An Unfair Start: Inequality in Children’s Education in Rich Countries’, Innocenti Report Card 15, p.10

Secondary School, Australia performed dismally and ranked 36<sup>th</sup>, 25<sup>th</sup> and 30<sup>th</sup> for equality at each respective education level.<sup>53</sup>

***The direct and indirect costs to government resulting from the abandonment of a coordinated national schools funding system***

The original Gonski Review<sup>54</sup> and the OECD<sup>55</sup> point to a range of direct and indirect benefits accruing from an education system that is equitable and targets needs. By extension, a funding system that is inequitable will forfeit some of these benefits and in doing so accrue costs to the system.

Hence, the enforcement an arbitrary system of funding arrangements that caps Commonwealth contributions to public schools at 20% and reduces the indexation rates for disadvantaged schools as seen in *Australian Education Amendment Act 2017*, then further compounded by the additional \$4.6 billion announced of independent schools in October 2018 and meagre 5 year SRS targets and extremely dubious allowance of 4% of SRS for depreciation, transport and other costs as outlined for states and territories in the 2018 bi-lateral NSRAs will result in many of the potential economic and societal dividends of a truly needs-based and sector-blind funding system being lost.

Equally, a range of costs must also result from these three significant recent changes to the way government funds schools. As the decline in educational attainment in Australia has demonstrated, the costs of the combined limitations compound over time in the form of more acute inequity in learning outcomes and the associated impacts of this inequity.

This has been referred to as “the price of failure”. In an effort to measure some of the direct costs resulting from poorer educational outcomes and demonstrate the point more generally, in 2016 Rorris conservatively<sup>56</sup> calculated the following fiscal outcomes in relation to increased unemployment and reduced tax revenues:

- The failure of the Australian government to retain all students to the end of year 12 schooling will generate direct financial costs in excess of \$72 billion (2016 constant prices) by 2070. Specifically, the cost simulations show that by simply failing to keep students active and learning within the education system until year 12, the country will pay an additional aggregated amount of \$60 billion in unemployment benefits by 2070 (2016 constant prices).<sup>57</sup>
- Lost aggregated income tax revenues in excess of \$12.2 billion by 2070 as a result of a greater number of people not being employed and therefore not paying income tax.

For the purposes of the Budget we note the correlation between lower educational attainment and increased incidence of crime is well established and any proper assessment of the value and impact of education, and hence the return on education funding, should include careful

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<sup>53</sup> Ibid. p8.

<sup>54</sup> Gonski, D, et al., *Review of Funding for Schooling: Final Report*, 2011, p.Xiii

<sup>55</sup> OECD (2018), *Education at a Glance 2017: OECD Indicators*, OECD Publishing, Paris. retrieved form <http://dx.doi.org/10.1787/eag-2017-en>

<sup>56</sup> Rorris 2016, p.34 notes the conservative nature of these estimates in the case of two fiscal outcomes resulting from lower education learning outcomes. The estimates do not provide any multiplier calculations of lost revenues from income and other tax revenues generated by having additional numbers of employed people.

<sup>57</sup> Rorris 2016, p.34–37

consideration of this data. Similarly, there is a strong correlation between public health outcomes and higher educational attainment.<sup>58</sup>

Given the associations between educational inequity and such a broad range of social indicators, the AEU encourages the adoption of comprehensive measures of equity, particularly the attainment of the SRS and its associated loadings, in modelling returns and informing budget decisions in the context of education.

### ***Budget as an opportunity to set down the path to 100% of SRS for government schools***

The 2017 *Act* effectively blocked the passage to 100% of the SRS for all government schools, and the 2018 bi-lateral NSRAs further ingrain the funding caps that ensure that in no state or territory (except the ACT) will public schools reach 100% of SRS by 2023.

The Budget is an opportunity to reinstate previous appropriate funding levels based on need. There is no greater productive benefit that a surplus such as is expected in this budget can be put to than the full and equitable funding of public education. As we have shown above, Australia has one of the most inequitable education systems in the world, a problem which if properly addressed and permanently rectified, would lead to significant and lasting reductions in unemployment and other benefits, better health outcomes and increased tax revenues.

The 2017 *Act* entrenched inequality, and the October 2018 additional funding announcement and the five year bi-lateral NSRAs have entrenched it further, with no recognition of the inherent costs or potential benefits of changing course. Therefore, it is absolutely essential that this Budget ameliorate the negative impacts of these recent major changes to school funding arrangements and make use of the projected surplus to provide fair and equitable funding to Australia's public schools.

The government's recent funding cuts are arbitrary and demonstrate an absence of a coherent rationale for education and education funding. The AEU calls on the Morrison Government to use this budget to fund schools to 100% of the SRS, including meeting the funding requirements of the associated loadings for students with complex needs.

### ***Early childhood education***

As Australia is significantly behind other OECD countries on the percentage of 3 year olds in early-childhood education and care (64% vs. 76%)<sup>59</sup>, the OECD policy recommendation from PISA 2015 regarding the crucial importance of access to quality early education for all children in order to improve educational outcomes at both school and system level is a good starting point for consideration of Early Childhood Education (ECE) in the 2019-20 Budget.

The recommendation reinforces current evidence on the importance of quality early childhood programs for all children, and particularly for vulnerable and disadvantaged children, and the long term social and economic benefits for society of early investment in education. The OECD describes this in terms of an "accumulation of social disadvantage"<sup>60</sup>, which begins in early childhood. The evidence in Australia regarding the relationship between opportunities in early childhood education, educational attainment and social inclusion in later life is unequivocal.

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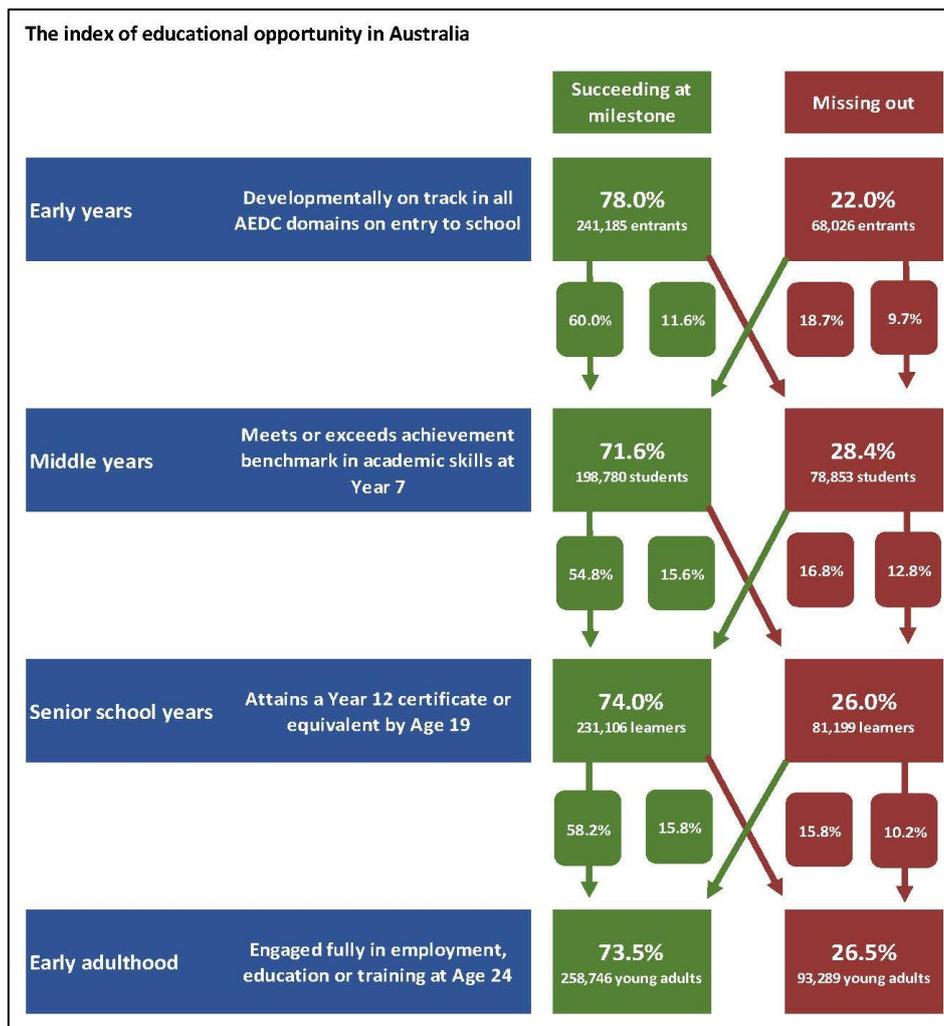
<sup>58</sup> Rorris 2016, p.39

<sup>59</sup> AEU, media release, retrieved from <http://www.aeufederal.org.au/news-media/media-releases/2018/september/120918>

<sup>60</sup> OECD (2017), *Educational Opportunity for All: Overcoming Inequality throughout the Life Course*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264287457-en>, Chapter 2

The figure below, “The Index of Educational Opportunity in Australia”, shows the proportions of young Australians “meeting or missing the educational milestones”.

**Figure 7: Index of educational opportunity<sup>61</sup>**



Those missing out on ECE are grossly over represented among below average achievers in assessments throughout their school lives and go on to be over represented among those who are unemployed.

This evidence regarding continuity between stages of educational inclusion/exclusion and life outcomes provides a comprehensive rebuttal to the position taken by the Productivity Commission regarding the relationship between fiscal investment in ECE and broader social outcomes. The Productivity Commission has taken the view, quite erroneously, that the benefits of ECE “accrue primarily to the child attending ECEC and to their family”<sup>62</sup>. For

<sup>61</sup> Lamb, S, Jackson, J, Walstab, A & Huo, S (2015), Educational opportunity in Australia 2015: Who succeeds and who misses out, Centre for International Research on Education Systems, Victoria University, for the Mitchell Institute, Melbourne: Mitchell Institute. p.iv

<sup>62</sup> Productivity Commission (2015), Childcare and early childhood learning volume 1, Inquiry Report No.73, Canberra, p.13 quoted in O’Connell M, Fox S, Hinz B and Cole H (2016). ‘Quality Early Education for All: Fostering, entrepreneurial, resilient and capable leaders’, Mitchell Institute policy paper No. 01/2016. p.(v) Mitchell Institute, Melbourne. Available from: [www.mitchellinstitute.org.au](http://www.mitchellinstitute.org.au)

this to be correct, the benefits of ECE in a Budget context would have to be calculated without including factors such as educational attainment in later life, employment, and other factors known to directly impact on the life experience and contribution a person makes to society, not least of all, financial contributions to the federal government made in the form of income tax. The OECD also takes a view that is entirely contrary to that of the Productivity Commission on the matter of investing in ECE. In its publication “Educational Opportunity for all: Overcoming inequality throughout the life course”, the discussion of the “vicious circle” in educational opportunity and exclusion is followed by detailed analysis of the benefits of thoroughgoing investment in ECE<sup>63</sup>.

For the purposes of informing decisions in this Budget, the AEU reiterates the point made above in the context of schools regarding the relationship between equity in education and social and fiscal benefit to society. The benefit accruing to society from social inclusion and equitable outcomes in education apply in the context of ECE just as it does elsewhere in the education system. Similarly, as Lamb et al point out, the role of socio-economic status in determining access to education, and hence outcomes, is equally significant in the context of ECE, where the process of residualisation, driven by marketization, is already present, and is likely to become more severe under the current fiscal approach to education:

*Learners who miss out on learning and development in the early years are more likely to live in communities served by lower-quality ECEC services. The data generated through regulatory assessments of ECEC services demand a policy response, as market forces threaten to extend the social segregation evident in the school years into the early years of learning.<sup>64</sup>*

Budget decision-making in ECE funding must be guided by the principles of equity and need. Equally, the evidence presented here and elsewhere, which demonstrates that consigning children to social exclusion on the basis of their socio economic background is as fiscally irresponsible (as it is morally repugnant), must inform the government’s approach.

Due consideration of these principles of equity and efficiency further underline the economic irresponsibility of successive Federal Coalition governments since 2013 in failing to commit to permanent provision of the Commonwealth’s share of the funding required to ensure universal access of 15 hours of preschool for all 4 year olds.

This is occurring at a time when public debate is now focussing on the Commonwealth and the States/Territories collaborating to extend the provision of universal access to preschool for all 3-year old children, as is the case for most peer OECD countries that already provide two years of preschool. For the preschool sector, the uncertainty of the future of funding for universal access for four year olds is inexcusable.

The Universal Access to Early Childhood Education National Partnership, implemented by the then Federal Labor government with the aim of ensuring that every child in Australia has access to high quality early childhood education taught by a university-trained teacher in the year before school, provided funding from 1 July 2013 to 31 December 2014. The Abbott

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<sup>63</sup> OECD (2017), Educational Opportunity for All: Overcoming Inequality throughout the Life Course, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264287457-en>, .p. 53-68

<sup>64</sup> Lamb, S, Jackson, J, Walstab, A & Huo, S (2015), Educational opportunity in Australia 2015: Who succeeds and who misses out, Centre for International Research on Education Systems, Victoria University, for the Mitchell Institute, Melbourne: Mitchell Institute. P.91

Government extended funding but only made a commitment to one year from 1 January 2015 to 31 December 2015. Subsequently, in response to public pressure, a series of short term funding arrangements have been made to continue the funding.

That this funding led to major improvements in access to preschool for four year olds, including substantial increases in enrolments, and higher quality early learning, was acknowledged at the time by the then Federal Minister.

*Minister for Education and Training Simon Birmingham said the data from the 'ABS' Preschool Education, Australia, and 2015' publication showed the Government's Universal Access Agreement has encouraged an additional 16,088 children into early childhood education. The Government's support for high quality early learning continues through its \$843 million commitment to Universal Access, which ensures every Australian preschool child access to 15 hours of early learning a week. Quality early education in the year before a child starts school not only helps them develop vital literacy and numeracy skills, but also develops the important social skills that will help children adjust to classroom and playground settings.<sup>65</sup>*

Even with the increased funding, Australia still underinvests in early childhood education by international standards, with the OECD's Education at a Glance (2016) confirming that Australia's spending accounts for just 0.6% of GDP compared to the OECD average of 0.8%.<sup>66</sup>

The need for the Commonwealth to maintain its funding share is highlighted by not only the gains resulting from the universal access funding committed to date, but also the data showing that despite the increase in preschool enrolments and evidence of the provision of higher quality ECE, there is still an unacceptable relationship between access and quality and SES in this country.

The AEU calls on the Morrison Government to show its commitment to closing the gaps which remain in access and equity, by announcing in the Budget that it will, as a bare minimum, deliver its funding share of the commitment by all governments across Australia to universal access to preschool for all children in the year before schooling and improving the quality of early education services across the country on a permanent basis. Further, in order to bring our national commitment to, and investment in, preschool education closer to peer countries in the OECD, the 2018-19 Budget would also be an appropriate place to introduce steps towards the goal of providing high quality, developmentally appropriate preschool education in the two years prior to school. Australia is one of only eleven OECD countries that don't provide universally funded access to early childhood education for three year olds. Such a move would be very much in the national interest. All children benefit from high quality preschool education, but particularly those from disadvantaged and vulnerable backgrounds, from whom 15 hours a week in the year before schooling is simply not enough to ensure they are on the path to long-term health and wellbeing, successful education and a positive future.

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<sup>65</sup> Simon Birmingham, *More pre-schoolers benefitting from early education*, Media Release. March, 18 2016 <http://www.senatorbirmingham.com.au/Latest-News/ID/2996/More-preschoolers-benefit-from-early-education>

<sup>66</sup> OECD (2018), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris.

## *TAFE – a sector in crisis*

The TAFE sector in Australia is in crisis, and unless governments act urgently, and decisively, its role in the Australian education system is under threat. Successive Australian governments have failed to address systemic under-funding, and recent market “reforms” have further damaged TAFE, throwing its future into doubt. The Productivity Commission recently said that the VET sector was a mess, echoing the concerns of all major stakeholders and<sup>67</sup> the Business Council of Australia warns that the residualisation of TAFE will ‘fail to deliver a good long term outcome’. They argue that governments need to define the role of the public provider in order to ‘maintain a sustainable TAFE network across the country’.<sup>68</sup>

In 2017, states, territories and the Commonwealth spent a combined total of \$6.1 billion on vocational education, but an ever decreasing portion of this spending is being made in the public system and TAFE has borne the brunt of the decline in public spending.<sup>69</sup> In addition to the wholesale shift of public funds from the TAFE sector to many and small private for profit providers, the established TAFE and vocational education sector bears the burden of being the lowest funded of all the education sectors in Australia. Funding was cut by more than 15% in the decade from 2007 to 2016 and government expenditure declined by 31.5% over that time.<sup>70</sup> This was swiftly followed by another cut of \$177 million in the 2017 federal budget. The damage inflicted on the sector, particularly as a result of chronic underfunding and attempts at privatisation have eroded the viability of colleges and undermined confidence in the system. As a result of this continual assault, TAFE enrolments have declined steadily in recent years, from nearly 800,000 in 2015 to 680,000 in 2017.<sup>71</sup>

The 2017 figures are consistent with the trajectory that the sector has been on for more than ten years. From 2005 to 2016, government real recurrent VET expenditure increased 4.1 per cent, while the number of government funded annual hours has increased 51.8%. As a result, government real recurrent expenditure per annual hour has declined 31.5% over the past 10 years — from \$16.64 in 2005 to \$11.40 in 2014 — at an average annual rate of decline of 4.1 per cent.<sup>72</sup>

The number of government funded vocational education students has fallen by almost 17 % since 2012 across all jurisdictions, but in TAFE, student numbers have fallen by 25%, as all states and territories endure cuts to campuses, courses and staff.<sup>73</sup>

In NSW, Victoria, Queensland and South Australia, job losses have gutted the TAFE sector:

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<sup>67</sup> Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra p86

<sup>68</sup> Business Council of Australia 2017, *Future-proof: protecting Australians through education and skills*, Melbourne, Business Council of Australia, p. 77.

<sup>69</sup> National Centre for Vocational Education Research (2018), *Total VET Students and Courses 2017: data slicer*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/total-vet-students-and-courses-2017-data-slicer>

<sup>70</sup> Australian Education Union, (2018), *Stop TAFE Cuts Manifesto*, p1.

<sup>71</sup> National Centre for Vocational Education Research (2018), *Government Funding of VET 2017: data tables*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/government-funding-of-vet-2017-data-tables>

<sup>72</sup> SCRGSP (Steering Committee for the Review of Government Service Provision)2016, *Report on Government Services 2016*, Productivity Commission, Canberra

<sup>73</sup> NCVET 2017, *Students and Courses 2016*, NCVET Adelaide Table 2

**Table 3: Job losses in the TAFE sector by state**

State	TAFE job losses	% of workforce
NSW <sup>74</sup>	5,163	35
Victoria <sup>75</sup>	8,048	44
Queensland <sup>76</sup>	1,649	25
South Australia <sup>77</sup>	571	17

Despite the clear and undisputed societal and economic benefits that a robustly funded and administered TAFE and vocational education sector provides, there has been a concerted and continual drive from successive federal governments over the last decade to marketise vocational education and deprioritise TAFE, which has resulted in a collapse of publicly funded TAFE, the shift of public money to for-profit private providers, and disinvestment by governments in vocational education.<sup>78</sup> This deliberate recalibration has resulted in the extremely rapid proliferation of opportunistic private training providers and the unrestrained growth in the for profit sector, primarily at the expense of Australia's previously world leading publicly funded and delivered TAFE and vocational education system.

Wheelahan (2016) outlines the seismic changes that have occurred in the way that vocational education is resourced and delivered in Australia since 2009. There are now over 4,600 active registered training providers, but only 96 of these providers have more than 100 full time students. It is plainly evident that quality cannot possibly be maintained at a system level when that system is populated by thousands of tiny individual private providers, some of whom have participated in recruitment and enrolment practices that can best be described as skirting the edge of legality.<sup>79</sup>

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<sup>74</sup> TAFE NSW Annual Report 2015 – 2016

[https://www.tafensw.edu.au/\\_data/assets/pdf\\_file/0004/25069/TAFE-NSW-2015-16-Annual-Report.pdf](https://www.tafensw.edu.au/_data/assets/pdf_file/0004/25069/TAFE-NSW-2015-16-Annual-Report.pdf)

<sup>75</sup> Victorian Public Service Commission, *State of the Public Sector in Victoria*

<https://vpssc.vic.gov.au/resources/state-of-the-public-sector-in-victoria/>

<sup>76</sup> Queensland Government, *Queensland public service workforce statistics*

<https://www.forgov.qld.gov.au/queensland-public-service-workforce-statistics>

<sup>77</sup> Government of South Australia, Office for the Public Sector, *Workforce Information*

<https://publicsector.sa.gov.au/about/office-for-the-public-sector/workforce-information/>

<sup>78</sup> Wheelahan, L., (2018) *New figures quantify the extent of the TAFE disaster*, retrieved from

[http://stoptafecuts.com.au/blog/new-figures-quantify-extent-tafe-disaster?ccm\\_paging\\_p=3](http://stoptafecuts.com.au/blog/new-figures-quantify-extent-tafe-disaster?ccm_paging_p=3)

<sup>79</sup> Bachelard, M., Cook, H., & Knott, M., (2015) *Vocational Education, the biggest get-rich quick scheme in Australia*, *Sydney Morning Herald* retrieved from <https://www.smh.com.au/national/vocational-education-the-biggest-getrich-quick-scheme-in-australia-20150916-gjqw.html>

This almost complete surrender of the provision of vocational education to the market has resulted in a massive decline of TAFE as the pre-eminent provider of vocational education in Australia. In 2009, TAFE institutions taught 81% of all publicly funded full time equivalent students in Australia. Five years later, in 2014, this figure had reduced to 56%. Over the same five year period private, for-profit providers increased their share of publicly funded full time equivalent students from just under 15% to 40%, and increased their total student numbers by almost 286%.<sup>80</sup> Similarly, the most recent National Centre for Vocational Education Research (NCVER) shows that private providers continue to dominate - of the total 3.8 million students included in the NCVER's 2017 dataset, over 2.5 million (66.6%) were enrolled with private providers. By contrast, students enrolled at TAFE accounted for only 17.8% of all vocational education students in Australia.<sup>81</sup>

The damage inflicted on the sector over the last decade as a result of the chronic underfunding of publicly delivered TAFE and vocational education, and continued attempts to shift the sector irretrievably towards privatisation have severely eroded the viability of many public TAFE institutions and undermined public confidence in the system. The AEU's long held position is that no public funding should be directed towards private, for-profit providers of vocational education. The public funding of TAFE must be urgently restored. As a first step towards rebuilding the TAFE system, the AEU is pursuing a guarantee from government that 70% of all government spending on vocational education will be delivered directly to TAFEs.

This current crisis of vocational education in Australia is a direct result of the deliberate push over many years towards the complete marketisation of the sector. The introduction of income contingent loan based funding in vocational education has caused huge reputational damage to the sector and has undermined the confidence of students and their parents in all types of vocational education providers. The rampant rent-seeking behaviour of private RTOs, allowed by the inability of regulators to stay abreast of private providers' complex arrangements designed to extract maximum public subsidy for minimum output, has meant that the vocational education sector now needs a complete structural overhaul and a significant injection of public funds to repair the damage caused over the last decade.

### ***A National Partnership Agreement on TAFE***

The 2019/20 Federal Budget represents an opportunity for the Federal Government to establish the basis of a new national strategy in the sector, with the highly regarded TAFE system as the centre of the strategy. The AEU proposes a significant re-investment in TAFE and the scrapping of the *National Partnership Skilling Australia Fund* and its replacement with a new *National Partnership Agreement on TAFE*.

Australia's publicly owned TAFE system represents a trusted and highly regarded network which has served the Australian community and economy for many decades. Governments invest in TAFE because it represents an investment in the system as a whole, and each dollar allocated by government to TAFE is invested in students, and in the development of resources and infrastructure for vocational education.

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<sup>80</sup> Wheelahan, L. (2016). *Patching bits won't fix vocational education in Australia - a new model is needed*, International Journal of Training Research, p.10.

<sup>81</sup> National Centre for Vocational Education Research (2018), *Total VET Students and Courses 2017: data slicer*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/total-vet-students-and-courses-2017-data-slicer>

A National Partnership Agreement needs to address the following issues:

- The overall decline in funding to vocational education and TAFE over the last five years making the sector the worst funded of all education sectors.
- The rapid and uncontrolled opening of access to government funding by for-profit private providers – which saw public funds formerly used in the TAFE system diverted to profits.
- The shift in funding and organisation of the sector from government resourced to User Pays through the mechanism of the failed student loans scheme – VET FEE-HELP.
- The manifest failure of the regulatory system, evidenced by the daily reports of rorting and profiteering, and the issue of what constitutes quality, and how it should be assured.

In order to rectify this monumental failure in public policy, the AEU is proposing a new National Partnership Agreement for the TAFE system. The Agreement would, at a minimum return government funding to pre-market reform levels, immediately quarantine a minimum 70 per cent of funding to TAFE institutions and commence the process of rebuilding the system.

The failed experiment in establishing a student loans scheme should be acknowledged, the scheme should be closed, and any resources set aside to fund and administer it should be diverted directly to courses at TAFE institutions.

Other components of the Agreement would include:

- The establishment of new collaborative structures within TAFE campuses which would be responsible for the development and delivery of courses for students which meet agreed national and state criteria, and address local industry and community needs. These collaborative structures would be developed over an agreed timeframe, and should include local employers and unions, local government, community and regional organisations, all set within agreed state and national frameworks.
- Rebuilding and funding course development and curriculum centres at TAFE campuses, including investing in teachers and support staff through funding qualifications and professional development.
- Rebuilding the TAFE teaching workforce by investing in professional development and, in collaboration with the profession, rebuilding TAFE teaching qualifications, with a funded plan to ensure that all TAFE teachers have degree level teaching qualifications within an agreed time-frame.
- Rebuilding TAFE facilities and campuses by investing in infrastructure, including building and equipment, in collaboration where appropriate with local schools and communities, and universities.

### ***Recommendations for the 2019-20 budget***

The AEU expects that in times of budget surplus an absolute priority for the Commonwealth government should be to ensure that students of all ages have access to the highest quality, most well-resourced and most equitable education system possible. With this in mind, and with reference to the evidence presented above on the deep inequity currently present in Australia's education system and the personal, economic and societal benefits of properly funded public education, we make the following recommendations.

#### ***Schools funding and Schooling Resource Standard***

The AEU calls on the Commonwealth Government in the 2019/20 budget to:

- restore the \$14 billion cut from public schools including the \$1.9 billion cut in 2019 and 2020.
- ensure that government schools are guaranteed funding at a minimum of 100% of the SRS, including and most importantly, meeting the funding requirements of the associated loadings for students with complex needs.
- remove from the Australian Education Amendment Act the 20% cap on the Commonwealth share of the SRS for public schools.
- reinstate the requirement, as existed under the previous NERA arrangements, that the Commonwealth will increase funding for underfunded public schools by at least 4.7% per year until they reach their full SRS.
- fund a long term capital works program for public schools equivalent to the Non-Government Schools Capital Grants Program.
- Restore the disability funding cut in the 2017 budget to five states and territories.

#### ***Early Childhood Education and Care***

The AEU calls on the Commonwealth Government in the 2019/20 budget to:

- commit to permanent provision of the Commonwealth's share of the funding required to ensure ongoing universal access of 15 hours of preschool for all 4 year olds as a bare minimum.
- provide funds to states and territories to extend the provision of universal access to preschool for all 3-year old children, as is the case for most peer OECD countries that already provide two years of preschool.

#### ***TAFE***

The AEU calls on the Commonwealth Government in the 2019/20 budget to:

- guarantee that 70% of all government spending on vocational education will be delivered directly to TAFEs.
- Cancel the debts of all students caught up in the VET- FEE-HELP scandal and related private for-profit provider scams.
- significantly re-invest in TAFE and scrap the *National Partnership Skilling Australia Fund* and its replacement with a new *National Partnership Agreement on TAFE*.