

FEDERAL BUDGET 2008-2009

The 'education revolution'?

By Jenni Devereaux

The Rudd Government came to power promising an 'Education Revolution'. For us it offered the welcome possibility of an end to eleven years of under-funding and chronic and systematic neglect of public education and training by the Howard Government.

The crucial thing in this Budget for all the public education and training sectors was how far the Rudd Government would go to repair the damage wrought by the Howard Government to the public system, and the extent of new funding measures designed to implement its 'Education Revolution' election commitments.

It was a bitter disappointment that the Budget failed to deliver specific measures to repair the damage the Howard Government inflicted on public education and training. While funding general election commitments is welcome, it is not enough to redress years of chronic and systematic neglect.

Education and Training Expenditure

Table 1 from the 2008-09 Budget papers shows total education expenditure for the Budget period. Total education expenditure covers expenditure for higher education institutions; VET providers (including TAFE); and government (State and Territory) and non-government primary and secondary schools.

Table 1: Total Education Expenditure Budget Papers 2008-09

EDUCATION	ESTIMATES		PROJECTIONS		
	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
Higher Education	6,333	6,018	6,974	7,001	7,365
Vocational and Other Education	1,640	1,654	1,735	1,784	1,826
Non-Government Schools	6,392	6,406	6,812	7,265	7,723
Government Schools	3,126	3,138	3,324	3,397	3,546
Schools	9,518	9,545	10,137	10,662	11,269
Student assistance	486	485	479	481	484
General administration	22	26	44	64	77
School Education - specific funding	620	1036	908	776	778
Total Education	18,620	18,764	20,276	20,768	21,800

Source: Education Table 7 'Summary of Expenses' Budget Paper 1, 6-14

The Budget papers attribute the increases in the forward estimates for the *Vocational and Other Education* sub-function to *Skilling Australia for the Future* which the Government claims will deliver up to 630,000 additional funding places over five years. Also, contributing to the vocational and other education expenses is the impact of increased migration places in the skilled, family and humanitarian categories. In addition a new measure, *School Grants for On-The-Job Training*, will increase expenses in this sub-function.

However, analysis of these figures to determine the % share of the total education budget for each of the Budget lines reveals that the VET share continues to decrease.

Table 2: % Share of Total Education Budget

	2007-08	2008-09	2009-10	2010-11	2011-12	% Change 07-08 to 11-12
Higher Education	34.0%	32.1%	34.4%	33.7%	33.8%	- 0.2%
VET	8.8%	8.8%	8.6%	8.6%	8.4%	- 0.4%
NGS	34.3%	34.1%	33.6%	35.0%	35.4%	1.1%
GS	16.8%	16.7%	16.4%	16.4%	16.3%	- 0.5%
All Schools	51.1%	50.9%	50.0%	51.3%	51.7%	0.6%
Student assistance	2.6%	2.6%	2.4%	2.3%	2.2%	- 0.4%
General Administration	0.1%	0.1%	0.2%	0.3%	0.4%	0.3%
Schools Ed - Specific Funding	3.3%	5.5%	4.5%	3.7%	3.6%	0.3%

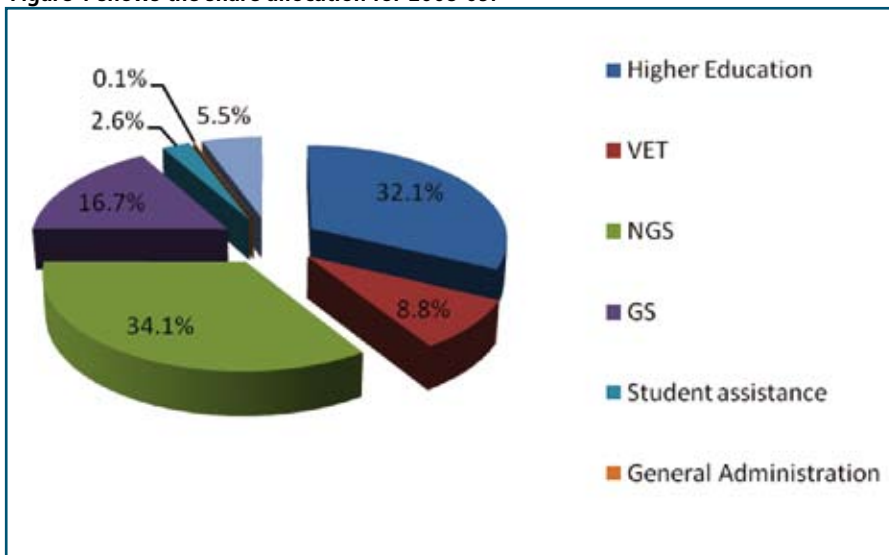
The budget allocation for private schools continues to be higher than that for the entire university sector across the country and four times that of the VET sector.

Table 3: VET Expenditure relative to Higher Education and Private Schools

	2007-08	2008-09	2009-10	2010-11	2011-12
Higher Education	34.0%	32.1%	34.4%	33.7%	33.8%
VET	8.8%	8.8%	8.6%	8.6%	8.4%
NGS	34.3%	34.1%	33.6%	35.0%	35.4%

2008-09 Education Expenditure as a Proportion of Total Federal Government Expenditure

Figure 1 shows the share allocation for 2008-09.



Analysis of last year's Budget, the last Howard Government Budget, showed little evidence of the much-vaunted boost in education expenditure. In the context of the total Budget [Federal Government Expenditure], the education share of the Budget actually declined.

In 2008, despite all the 'Education Revolution' talk by the new Government, the education and training share of the budget has continued to decline. Analysis shows:

- a further decline in total education expenditure as a proportion of the total budget;
- a decline in higher education funding share of the total;
- a decline in VET share of the total;
- a decrease in public school share of the total.

Table 4: 2007-2008 and 2008-09 Education Expenditure [Major Areas] as a Proportion of Total Federal Government Expenditure

	07-08	08-09
Total Education Budget	6.64%	6.42%
Higher Education	2.26%	2.06%
VET	0.58%	0.57%
Non-Government Schools	2.28%	2.19%
Government Schools	1.11%	1.07%
All Schools	3.39%	3.26%
School Education – Specific Funding	0.22%	0.35%

Table 5 : 2007-08 to 2011-12 Education Expenditure as a Proportion of Total Federal Government Expenditure

	Estimates		Projections			% Change 07-08 to 11-12
	2007-08	2008-09	2009-10	2010-11	2011-12	
Total Ed Budget	6.64	6.42	6.53	6.43	6.43	-0.21%
Higher Education	2.26	2.06	2.25	2.17	2.17	-0.09%
VET	0.58	0.57	0.56	0.55	0.54	-0.04%
Non-Government Schools	2.28	2.19	2.19	2.25	2.28	0.0%
Government Schools	1.11	1.07	1.07	1.05	1.05	-0.06%
All Schools	3.39	3.26	3.26	3.30	3.32	-0.07%
Student assistance	0.17	0.17	0.15	0.15	0.14	-0.03%
General Administration	0.01	0.01	0.01	0.02	0.02	0.01%
Schools Ed - Specific Funding	0.22	0.35	0.29	0.24	0.23	0.01%

Source: Calculated from BP 1: pp6-45 and 6-14 2008-09 Budget Papers

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VET Budget Measures 2008-09

The Government's **Education Revolution – Skilling Australia** Package will implement a number of strategies that will ensure that Australian workers have the skills they need so that Australian industry can compete effectively in the global marketplace.



'Skilling Australia for the Future'

The 5 year \$1.9 billion package, *Skilling Australia for the Future*, is designed to deliver up to 630,000 new training places. It comprises the following five elements:

- \$884.6 million to provide an additional 238,200 vocational education and training places to people currently outside the workforce.
- \$704.6 million to provide an additional 391,800 places for people within the workforce.
- \$242.2 million for an additional 85,000 Australian apprenticeship places.
- \$83.2 million for strengthened industry skills councils.
- \$4.1 million for skills and training information centres.

In addition the Government has announced:

- \$98.1 million for grants that will enable Year 9–12 students to participate in on-the-job training
- \$19.6 million to create the statutory body, Skills Australia.

The Government says it has already begun delivering on its commitment by creating the first 20,000 new training places for job seekers at a cost of \$33.3 million during 2007-08.

Infrastructure

The new \$11 billion Education Investment Fund, which absorbs and extends the Higher Education Endowment Fund [HEEF] announced last year by the Howard Government, will provide for capital expenditure and renewal and refurbishment in universities and VET institutions including TAFE campuses.

It will be funded by \$5 billion from the 2007-08 and 2008-09 Budget surpluses and \$6 billion from the Higher Education Endowment Fund (HEEF), with the potential for money from future surpluses to be channelled into the fund.

Unlike the HEEF, which allowed only for the interest earned to be spent, there will be no cap on yearly allocations from the EIF. Decisions about annual disbursements from the EIF will occur through the annual appropriation process and annual levels of investment will take into account the sectors' needs and "overall macroeconomic conditions".

Drawdowns from the Education Investment Fund will not occur before 2009-10 in order to ensure that allocations "align" with the recommendations of the Higher Education Review and priorities of the university and VET sectors.

The Future Fund Board of Guardians — http://www.futurefund.gov.au/about_the_future_fund/board_member_profiles — will be responsible for managing the Fund. The advisory board of the EIF will advise the Minister on "the relative merits of funding applications" and will be

involved in the transition to the new EIF advisory arrangements.

The Role of COAG

The Budget Papers contain a restatement of the new Government's commitment to 'a new wave of economic and social reform' through 'co-operative federalism'; aka 'a modern framework for federal financial relations'. A 'reinvigorated' COAG will be the main driver of the process, key features of which include a rationalisation of Specific Purpose Payments to the states [SPPs] and an 'improved focus on outcomes-based public accountability'.

The States will continue to receive all GST revenue, but SPPs (which currently number more than 90) will be rationalised into five or six new specific purpose payments supported by new national agreements in the areas of:

- healthcare;
- early childhood development and schools;
- VET;
- disabilities services; and
- affordable housing.

All payments will be paid directly by Treasury to each State treasury who will be responsible for distributing the funding within their jurisdiction. This differs significantly from the current system where payments are provided by Commonwealth

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portfolio departments to the relevant state agencies, each with its own payment and administrative arrangements.

A new system of National Partnership Reward Payments will be provided to the States which "deliver reform progress", as assessed by the COAG Reform Council.

A new COAG Reform Fund will receive contributions directly from the Commonwealth Budget as well as from three other funds being set up by the Government for capital investment — the Building Australia Fund; Education Investment Fund; and Health and Hospitals Fund.

At the centre of the education reform plan will be new national agreements in respect of early childhood development and schools, and vocational education and training, with additional National Partnership payments to support systemic reforms in the delivery of education services.

The 'Evidence Base' For New Budget Initiatives

Kevin Rudd and Julia Gillard make much of the need for a rigorous 'evidence base' for their reforms.

Budget Paper 1 Statement 4 'Boosting Australia's Productive Capacity: Infrastructure and Skills' contains a section 'The Scope for Better Outcomes in Education and Training' which outlines the 'evidence base' for their new initiatives in Australia's early childhood, schooling, VET and higher education sectors.

The section on VET is quoted in its entirety below as it makes their agenda abundantly clear:

Within the VET sector there is evidence that the effectiveness of training is variable. Many of the trades with low completion rates are also occupations that regularly appear on the national skill shortages list discussed earlier in this statement (NCVER 2006).

While it is not possible with the available evidence to attribute low completion rates to the training or to broader workforce issues, it is clear that increasing the number of people participating in training alone is unlikely to be a cost-efficient way of addressing reported skills shortages in these areas. Hence, the vocational training system requires reform to ensure that greater investment will deliver more responsive, higher quality training that will contribute to higher productivity growth.

To maximise the effectiveness of vocational education and training in Australia, a fundamental principle should be that those institutions that offer the highest quality and most relevant training to employers and industry should not be excluded from competing for government funding.

More competition should be a goal in a more contestable training market.

For TAFE, the continuing decline in the education and training share of the Budget in general, and the VET sector in particular, plus the ideological commitment to increased competition and contestability rather than public provision, makes the Rudd Government's promise of an 'Education Revolution' appear increasingly hollow. ❖



Jenni Devereaux is AEU Federal Research Officer