



**Australian Education Union**

**Submission to the**

**Select Committee into the Abbott Government's**

**Budget Cuts**

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## ***INTRODUCTION***

The Australian Education Union (AEU) represents more than 190,000 educator members employed in the public primary, secondary, early childhood and TAFE sectors throughout Australia.

We welcome the opportunity to respond to this inquiry into the effects of cuts or changes in the Abbott Government's 2014-2015 Budget.

Our members work every day with a diverse and complex range of students across the spectrums of age, ability, geographic location and socio-economic, cultural and linguistically diverse backgrounds. The cuts and changes in this Budget will have significant direct and indirect impacts on our members, their workplaces, the young children and students with whom they work, their families and the communities they work in and with.

Not all of the wide-ranging Terms of Reference of this inquiry are directly relevant to the AEU and its members. Our submission will focus on those which have the most immediate and longer term impact on the AEU and its constituency.

We note that a separate Senate Inquiry is being undertaken by the Community Affairs References Committee into the extent of income inequality in Australia. It too has wide-ranging Terms of Reference which include issues of relevance to the AEU, notably the impact of income inequality on access to and outcomes of education; the specific impacts of inequality on disadvantaged groups within the community, including (but not confined to) Aboriginal and Torres Strait Islander peoples, people living with a disability, refugees, and those on low income; and the likely impact of Government policies on current and future rates of inequality particularly the changes proposed in the 2014-15 Budget.

The AEU has not made a separate submission to that Inquiry given the extent of crossover with the issues raised by this inquiry as they impact on the AEU. Income inequality not only remains a key determinant of educational outcomes, but the great majority of children and young people from disadvantaged backgrounds are educated in the public system. To the extent that this deeply inequitable budget will increase inequality in Australia it will have significant and wide-ranging impacts on public education across the sectors in the key areas of access, equity and outcomes.

## ***THE 2014-2015 BUDGET***

In his Budget Speech the Treasurer said that we need "to build an education and training system that becomes the envy of the world." It is hard to see how this budget supports that objective. Cuts and changes to funding arrangements, both in the short-term and over the longer-term, together with the flagging of future intentions, will impact heavily on the provision of early childhood education, schooling, TAFE and higher education.

Despite election commitments of no cuts to education, the government claims that Australia's so-called 'debt crisis' has precipitated the 'Budget Emergency' which requires wide-ranging

and far-reaching program and policy measures such as major cuts in government spending and higher levels of privatisation and outsourcing.

The AEU rejects the Government's rationale for the Budget cuts and other changes flagged in the Budget papers. It has been established beyond doubt that the macroeconomic rationale, the 'budget emergency' and 'debt crisis', and the rhetoric of 'Lifters and Leaners', is not credible. Australia's fiscal situation is nowhere near emergency or crisis levels, as confirmed by economists across the political spectrum.<sup>1</sup>

What is also beyond doubt is that the Budget will exacerbate inequality given its disproportionate impact on the less well-off, especially those with school age children. Modelling and analysis by NATSEM (National Centre for Social and Economic Modelling)<sup>2</sup> and, among others, Professor Peter Whiteford and Daniel Nethery of the Australian National University,<sup>3</sup> clearly shows that low income families with children are the main family group to be impacted by this budget, and that this disproportionate impact will compound over time.

*The burden on families for 2014-15 falls most heavily on low and middle income families with children. The impact on high income families with children is smaller in dollar terms and percent change terms....*

*The burden on families of the 2014-15 Budget is quite clear by 2017-18 once all grandfathering arrangements are removed and the budget levy is removed. Low income couples with children (bottom 20 per cent) are worse off by around 6.6 per cent while single parents are worse off by around 10.8 per cent on average. High income families are marginally better off thanks to the carbon price removal.<sup>4</sup>*

A budget which increases inequality is antithetical to the best international evidence on the social and economic consequences of inequality; the economic and social costs of failing to give every child and young person the opportunity to succeed.

Madame Christine Lagarde, the Managing Director of the IMF, has spoken emphatically on the negative consequences of growing inequality and the importance of investing in education and health systems; specifically on the importance of economic equality and the role of education in promoting economic growth and employment:

*... investment in health, education, is absolutely necessary. And I hope we can talk at some stage about the role of inequality and how it impacts on growth. Clearly, investing in health, investing in education, making sure that there are equal*

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<sup>1</sup>Warwick Smith, 'Tony Abbott achieves the impossible: unity among economists', *The Guardian*, 23 July 2014 <http://www.theguardian.com/commentisfree/2014/jul/23/tony-abbott-achieves-the-impossible-unity-among-economists> Wednesday 23 July 2014

<sup>2</sup> B Phillips, 'NATSEM Budget 2014-2015 Analysis', University of Canberra, May 26 2014 <http://www.natsem.canberra.edu.au/storage/2014-15%20Budget%20Research%20Note.pdf>

<sup>3</sup> P Whiteford and D Nethery, 'Sharing the Budget Pain', Crawford School of Public Policy, Australian National University, Canberra. [https://crawford.anu.edu.au/sites/default/files/news/files/2014-05/sharing\\_the\\_Budget\\_pain\\_background\\_note.pdf](https://crawford.anu.edu.au/sites/default/files/news/files/2014-05/sharing_the_Budget_pain_background_note.pdf)

<sup>4</sup> 'NATSEM Budget 2014-2015 Analysis', p4; p10.

*opportunities for all is something where public money is needed. ... investing in health and education is a priority.*

*... rising inequality is not conducive to sustainable growth.*<sup>5</sup>

This is a consistent theme of a growing body of influential studies. World Bank and OECD publications and policy briefs<sup>6</sup> increasingly emphasise the essential role of governments in creating education systems which address inequality. Investing in early, primary and secondary education for all, in particular for children from disadvantaged backgrounds, is both fair and economically efficient.<sup>7</sup>

*The evidence is conclusive: equity in education pays off. The highest performing education systems across OECD countries are those that combine high quality and equity. In such education systems, the vast majority of students can attain high level skills and knowledge that depend on their ability and drive, more than on their socio-economic background. ...*

*Educational failure also imposes high costs of society. Poorly educated people limit economies' capacity to produce, grow and innovate. School failure damages social cohesion and mobility, and imposes additional costs on public budgets to deal with the consequences – higher spending on public health and social support and greater criminality, among others. For all these reasons, improving equity in education and reducing school failure should be a high priority in all OECD education policy agendas.*<sup>8</sup>

The OECD's *Education Policy Australia Outlook: Australia* (April 2013) outlines evidence from OECD countries and economies which shows poor school performance by students from disadvantaged backgrounds is far from inevitable. If disadvantage deprives a student of access to the opportunities advantaged students enjoy, then these opportunities should be provided by the school system. All students should have the same opportunities to succeed in school, regardless of their backgrounds. On the basis of this evidence it notes that a major economic and educational challenge facing Australia is the need "to reduce inequities between students from different socio-economic and ethnic backgrounds by tackling system-level policies which hinder equity in education."<sup>9</sup>

This is confirmed by the ACER's analysis of PISA 2012 data.

*In terms of equity, Australia is not achieving its goal of providing all students with similar opportunities to benefit from education, regardless of their gender or background. Australia has slipped backwards to the type of gender disparity that was seen decades ago. PISA 2012 also shows that Indigenous students, rural students and*

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<sup>5</sup> ABC, Q and A, 'An Audience With Christine Lagarde', Thursday 20 February, 2014 "Education is not an entitlement but an investment in our future" <http://www.abc.net.au/tv/qanda/txt/s3941811.htm>

<sup>6</sup> PISA IN FOCUS No. 25: Are countries moving towards more equitable education systems? <http://www.oecd.org/pisa/pisainfocus/pisa%20in%20focus%20n25%20%28eng%29--FINAL.pdf>

<sup>7</sup> OECD, 'Equity and Quality in Education – Supporting Disadvantaged Students and Schools' (February 2012) Foreword

<sup>8</sup> *ibid* p14; p3

<sup>9</sup> OECD, 'Education Policy Australia Outlook: Australia', April 2013. p6

*students from low socioeconomic backgrounds are more likely to achieve at lower levels – and many face the double liability of coming from a disadvantaged background and attending a disadvantaged school.*

*Australia must strive to improve outcomes for all students – getting the lowest achievers up to an acceptable standard for a wealthy first-world country and extending the higher achievers to lead the country in terms of innovation and development. The goal is attainable, but research into what actually works in changing outcomes is essential. Improving quality and equity requires a long-term view and a broad perspective.<sup>10</sup>*

Achieving equity and improving outcomes across all the education sectors requires increasing education funding and targeting resources to where they are needed most, to reducing inequality and disadvantage rather than exacerbating it. Unfortunately for our children and young people, and for broad range of people who access the TAFE system throughout their lives, the 2014-2015 Budget takes us further away from meeting these major challenges as a result of the measures over the long-term.

## ***THE IMPACT OF THE 2014-2015 BUDGET ON THE PUBLIC SCHOOLING, EARLY CHILDHOOD AND TAFE SECTORS***

### ***Schooling***

The AEU remains committed to major reform of Australia's schools funding arrangements and the full national implementation of the Gonski funding arrangements through substantially increased investment and a fairer more equitable funding system to ensure all schools have the resources they need to educate every student to a high standard, no matter what their background.

We remain convinced by the evidence that as a nation we have invested too little in education and that our historical funding arrangements are inequitable, inefficient and failing too many children. This has resulted in a decline in the performance of Australian students compared to international benchmarks, and in achievement and educational attainment gaps between students from disadvantaged backgrounds and those from more advantaged backgrounds which are greater than in any comparable nation.

Those most affected by the inequities in our funding system are the most vulnerable and disadvantaged students, including those with disabilities and special needs, from low socioeconomic and Indigenous backgrounds, and the schools that serve them; predominantly schools in the public sector.

Given that the 2014-2015 Budget shows the extent of the Abbott Government's retreat from the needs-based Gonski funding arrangements as enshrined in the *Australian Education Act 2013* (26 June 2013), it is timely for this Inquiry to recall the widespread public support for

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<sup>10</sup> Dr Sue Thomson, 'Declining PISA outcomes: Time to stop the slide', ACER, 3 December 2013. <http://rd.acer.edu.au/article/declining-pisa-outcomes-time-to-stop-the-slide>

implementing the broad thrust of the Gonski findings and recommendations. Educators, parents, business leaders, community and welfare groups across the country called on our governments, led by the Federal Government, to implement genuine funding and legislative reform based on the actual needs of Australian schools and school students.<sup>11</sup>

It was this very support that led the Coalition in Opposition to reverse its position and make funding commitments in order to win office which it is now reneging on, and was driven by similar concerns to those which underpin much of the widespread opposition to the Budget across the political spectrum from the public, the business sector, and community organisations.

The national needs-based funding Gonski architecture centred on a base level of funding for every student, as well as loadings targeted to disadvantage and need at student and school level in specific areas that evidence shows impact on student and school performance; low SES background, Indigeneity, English language proficiency, disabilities and special needs, and the size and location of schools. In this way, schools would be funded to reduce the impact of aggregated social disadvantage and inequality on educational outcomes and close the achievement gap between students, schools and sectors.

Significantly greater levels of funding would flow to public schools, because this sector educates the majority of children from disadvantaged and high-needs backgrounds: around 80% of students in the lowest quartile of socio-economic disadvantage; 85% of Indigenous students; 78% of students with a funded disability; 83% of students in remote/very remote areas; and the majority of students with English language difficulties, for example over 90% of students in the ESL New Arrivals Program, attend public schools.

We note that the recent report of the Senate Inquiry into the Development and Implementation of National School Funding Arrangements and School Reform highlights our concerns around the Abbott Government's actions:

*Unless governments and schools can make long-term decisions and target those groups of students most in need, the gap between the disadvantaged and the advantaged in the Australian school system will increase.*<sup>12</sup>

Based on its consideration of the evidence the Senate Inquiry advocated a long term commitment to funding reform and the six years of funding needed to ensure every school has the resources to educate every student to a high level. Instead, under the Abbott Government, as revealed in the Budget and elsewhere, there is no commitment to the full six years of funding or to work cooperatively with the states and territories.

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<sup>11</sup> Senate Inquiry Schools Funding 2014 Report: "Submissions to the committee's inquiry noted the strong consensus that was developed through the Gonski process, across the public, Catholic and Independent schooling sectors. (Executive Summary)

<sup>12</sup>[http://www.apf.gov.au/Parliamentary\\_Business/Committees/Senate/School\\_Funding/School\\_Funding/Report/~media/Committees/Senate/committee/schoolfund\\_ctte/report/report.pdf](http://www.apf.gov.au/Parliamentary_Business/Committees/Senate/School_Funding/School_Funding/Report/~media/Committees/Senate/committee/schoolfund_ctte/report/report.pdf) July 2014 p.xii

We share the conclusion reached by the Inquiry that:

*...[W]ithout the Gonski Review, without the NPSI negotiations with states and territories, and without the passage of the Australian Education Act 2013, there would not be a national needs-based school funding model in Australia. The committee submits that, under the Abbott Government's arrangements, a needs-based funding model will last for a mere four years. After that, amendments to the Australian Education Act 2013 and the low level indexation of funding post-2017 will mean that schools and the students they support cannot rely on adequate funding. This in turn will lead to inferior results for those students most in need and will further exacerbate the widening gap of educational achievement.*<sup>13</sup>

The proposed changes to schools funding reflect the Abbott Government's failure to honour the six-year Gonski funding agreements, which will have a massive impact on the funding of schools beyond 2016-2017 as two-thirds of the increased funding for schools was to be delivered in 2018 and 2019. Schools will also be hurt severely by the additional loss from cutting the level of indexation of school funding.

The abandonment of the Gonski model after four years and real cuts in funding every year after that represent, by the government's own projections, a \$30 billion cut over a decade to 2024-2025.

As in the past, public schools which educate the overwhelming majority of disadvantaged schools will be disproportionately affected. Research prepared for the AEU by funding expert Dr Jim McMorrow shows that the bulk of this funding will be cut from public schools.<sup>14</sup> \$2.67 billion will be lost from public school funding in 2018-2019 and 2019-2020, with the percentage of Federal Government funding allocated to public schools staying at just 38 per cent, despite these schools educating 65 per cent of students. As a result 20 per cent of schools will not meet minimum resource standards; ie. resource gaps will deepen and widen.

The consequences include the loss of staff and of crucial programs to support disadvantaged students, the students recognised as we outlined earlier in our submission most in need of additional resources in order to make the most of their potential; programs such as literacy and numeracy programs, speech therapists and other programs which the evidence shows lead to an improvement in student and school outcomes.

A copy of Dr McMorrow's report, 'The 2014 Commonwealth Budget: Ending the schools funding 'unity ticket' is attached as an appendix to this submission.

The failure to adequately fund schools in this budget is in defiance of the body of national and international evidence which informed the Gonski Review, and which has continued to accumulate since that time. It will ensure that the location, background and circumstances of Australia's students, and the degree to which they are advantaged or disadvantaged, will continue to be overly influential on whether or not they can access and benefit from the level of educational provision enjoyed by the most privileged. Allowing inequity and inequality of

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<sup>13</sup> Senate Inquiry Schools Funding 2014 Report p.xiii

<sup>14</sup> J.F. McMorrow, 'The 2014 Commonwealth Budget: Ending the schools funding 'unity ticket'', June 2014 <http://www.aeufederal.org.au/Publications/2014/McMorrowjune2014.pdf>

opportunity between schools and sectors across the country to continue will only perpetuate Australia's failure to fully honour the spirit and intent of the Melbourne Declaration.

### ***Students with disabilities and special needs***

Australia's approach to students with disabilities and special needs has long been marred by the significant inconsistencies in school funding policies and financial arrangements across the country which have led to marked variations in access and quality of education for these students.

There is a huge, urgent need for support for students with disability in our schools. Under the current system at least 100,000 students with disability in need of additional funding are missing out on the support and assistance they require from the Federal and State/Territory governments and their education systems, in contravention of not only their individual rights but also the Disability Discrimination Act and the DDA Education Standards. A disproportionate number of these students are educated in public schools, an extra cost that is recognised by Gonski's needs-based funding system.

Education authorities have estimated that the cost of funding a new per student disability loading in 2015, on the basis of meeting their needs, is likely to increase by 60 per cent next year, which translates to an estimated \$2 billion or more a year in extra funding from state and federal governments.

In opposition Education Minister Christopher Pyne said that he recognised the 'extreme neglect' of students with disability and made a firm commitment to better support for students with disabilities and special needs through delivering an increased loading from 2015.

*We have long argued that the current funding arrangements for students with disability and learning difficulty are unfair and inequitable. If elected to Government the Coalition will continue the data collection work that has commenced, which will be used to deliver more funding for people with disability through the 'disability loading' in 2015. (Christopher Pyne, August 24th, 2013)*

The Coalition subsequently made a formal election commitment to an interim loading for 2014 while the new disability loading formula based on actual need is developed for these students from 2015.

It promised to match Commonwealth funding committed by Labor to extend support for students with disabilities and to continue the national data collection process "*so that future funding for students with a disability can be based on each student's level of need.*" <sup>15</sup>

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<sup>15</sup> *The Coalition's Policy for Schools: Students First*, August 2013; p6 <http://www.liberal.org.au/latest-news/2013/08/29/coalitions-policy-schools-putting-students-first>



The Budget Papers make it clear that the Coalition has failed to deliver on this commitment. There is no funding allocated for the new disability loading from the beginning of 2015 over the forward estimates (2015-16, 2016-17 and 2017-18) and no mention is made of future intentions in this area.<sup>16</sup> The Abbott Government has also failed by abandoning the More Support for Students with Disabilities National Partnerships which come to an end this year.<sup>17</sup> Failing to continue this program represents a cut of \$100 million a year of funding for students with disabilities.

Through this blatant breaking of a major election commitment, the Abbott Government's failure to deliver increased funding for students with disabilities, the urgent developmental and educational needs of students with disabilities continue to be unmet thus denying them the chance of an education that would allow them to reach their full potential.

### ***The National School Chaplaincy Program***

The AEU is dismayed that the 2014-2015 budget measure that provides the most new funding for schools is the continuation of the National School Chaplaincy Program through the allocation of \$245.3 million over five years. Further, that the Abbott Government is reversing the 2012 changes made by the Labor Government to extend the program to allow schools to employ secular welfare workers so that the program reverts to providing only for school chaplains as it was when begun by the Howard Government in 2007.

Not only does this undermine the secular traditions of public education, it clearly reflects the misguided ideologically-driven priorities of the Abbott Government, and a misuse of funding that could be spent on more urgent needs.

It highlights how little the Government cares about building an equitable world-class education system when it is unable to deliver a promised increased disability loading from 2015 to support students in urgent need, is able to find a quarter of a billion dollars to spend on chaplains across the system regardless of where the most urgent real needs and priorities lie.

### ***The Government's "emotional commitment" to the non-government schools sector***

Within the context of the 2014-2015 Budget measures and its long-term intentions, the AEU wishes to note the rather astonishing observations made by Education Minister Christopher Pyne at a Christian Schools Association dinner at the end of May. He observed that the Federal Government does not feel as responsible for government schools, the schools attended by the majority of students, as it does for the minority of more relatively privileged students who attend non-government schools.

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<sup>16</sup> Australian Government, 'Federal financial relations: budget paper no. 3: 2014-15', 2014. p38

<sup>17</sup> *ibid*, p34.

*Having talked to the Prime Minister about this matter many times, it is his view that we have a particular responsibility for non-government schooling that we don't have for Government schooling.*

*The emotional commitment within the Federal Government is to continue to have a direct relationship with the non-government schools sector. I think the States and Territories would prefer that as well.*<sup>18</sup>

This divisive view is starkly at odds with the compelling case made by the Gonski Review, and widely supported by the public, for all schools to be funded on the basis of need, and recognition of the impact of social disadvantage on educational outcomes. The States and Territories do not have the resource base or revenue raising capacity to fully fund public schools, and the 65 per cent of Australian students who attend them, themselves. They require funding support from the Commonwealth which has much greater revenue raising powers.

Data from the MySchool website shows independent schools already have, on average, 30 per cent more recurrent income than government schools. Along with the majority of Australians, the AEU believes government funding should be about closing the funding and achievement gaps between government and non-government schools, and making sure all students have access to a well-resourced school. It should not be about entrenching disadvantage in our school system and perpetuating inequity and inequality of outcomes between students, schools and sectors as the Budget and statements such as this reveal.

While Prime Minister Abbott says the Budget is about long-term investment in the future, cutting schools funding and abandoning the needs-based principles of the Gonski funding model represents a failing to invest in the social and human capital Australia needs. It is not acceptable to have one-in-seven 15 year olds at risk of leaving school without the basic literacy and numeracy skills they need to get a job.

### ***Early Childhood Education***

The AEU was deeply concerned by the Abbott Government's failure to allocate funding to the states and territories in the 2014-2015 Budget for the continuation of funding beyond the end of December under National Quality Agenda for Early Childhood Education (ECE) and Care NP or the Universal Access to Early Childhood Education NP agreements with State and Territory Governments.

Until the very recent announcement (September 5) by Assistant Minister for Education Sussan Ley that the government would commit \$406 million to extend the current Universal Access National Partnership arrangements for twelve months, it appeared that there would be major cuts to universal preschool programs in 2015. State and territory governments had indicated they would be unable to continue providing 15 hours of preschool per week for

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<sup>18</sup> <http://www.csa.edu.au/resources/csnpf-2014/ministers-address-christopher-pyne>

every four year old in Australia if the Federal Government had failed to maintain its share of universal access funding when current funding ends on December 31st of this year.

We welcome this announcement but are seriously concerned that it is only for twelve months. While it removes the immediate uncertainty for the sector, uncertainty will remain beyond 2015. Together with the lack of commitment to maintaining the quality of ECEC as evidenced by the government's intentions to 'relax' NQF qualifications and staff:child ratios, the Abbott Government's failure to make a long-term commitment to universal access jeopardises the significant gains towards a better quality, more equitable, accessible and affordable integrated ECEC system through the national reform framework of recent years.

These reforms were designed to redress the fact that by contrast with a number of other OECD countries, Australia's provision has been relatively poor historically, particularly for the most disadvantaged. Abandoning the agreement with State and Territory Governments to ensure 15 hours of pre-school per week for every four- year old in Australia and reducing funding for early childhood education will hurt thousands of young children, and lead to job losses.

The development and implementation of the reforms was informed by a strong body of evidence on the importance of quality programs in the early childhood years to a child's educational and social development, with flow-on benefits to better health, education and employment outcomes later in life, and the long-term disadvantage for children without access to quality early childhood programs. In addition to the significant short and long term individual benefits for children, and for families, there are long-term cost-benefits associated with investment in the provision of universal access to quality early childhood education will pay huge dividends for all of us in the future.

2013 COAG data on the progress of the National Partnership Agreement on Early Childhood Education shows improved levels of enrolment and attendance in pre-school programs across the country from 2008. Professor Greg Craven, deputy chairman of the COAG Reform Council, is on record as saying that progress to date indicates that Australian education is heading for 'structural improvement' through greater access to quality early childhood education and that we can expect to see benefits of the early childhood reforms flowing on to better primary and high school results 'down the track'.

We note that the recently released Draft Report of the Productivity Commission into Childcare and Early Years Learning confirms the evidence base on the benefits of early childhood education:

*Participation in a preschool program in the year before starting formal schooling provides benefits in terms of child development and a successful transition to school.<sup>19</sup>*

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<sup>19</sup> 'Childcare and Early Childhood Learning', Productivity Commission Draft Report July 2014; p190

Further, that the Productivity Commission recommends that the Federal Government should continue to provide funding to the states and territories for the continuation of universal access to a preschool program of 15 hours per week for 40 weeks in the year before schooling.<sup>20</sup>

While noting the new extension to this funding until December 2015, we urge the Inquiry to support this recommendation for the Federal Government to continue its funding share over the long-term.

Failure to continue these reforms and progress towards a universal, affordable and equitable ECEC system focussed predominantly on children and their needs has significant consequences for access and equity, particularly for disadvantaged children and significant numbers of Indigenous children. It would be an extremely retrograde step for children and families in Australia and for our society and economy into the future.

### ***TAFE***

The AEU has deep concerns about the future of the TAFE sector in light of at least \$1.5 billion funding cuts in the VET sector in the 2014-2015 Budget, with indications that there will be further changes to funding over the next twelve months, including changes to arrangements in the National Agreement, and National Partnership Agreement.

The most recent budget cuts see the cessation/abolition of a number of programs, including programs which provided basic literacy and numeracy skills, mentoring, support and other services to upskill existing workers. These cuts and likely future changes will exacerbate the existing significant access, quality and equity issues associated with previous cuts to TAFE funding and the growing privatisation of VET which has systematically undermined TAFE in recent decades.

These have been comprehensively documented in the AEU's submissions to numerous inquiries; most recently our May 2013 AEU Submission to the House of Reps Inquiry into the role of Technical and Further Education system and its operation and our March 2014 AEU Submission to the Senate Inquiry into Technical and Further Education (TAFE).

Cuts in government funding to TAFE have resulted in significant increases in student fees and made many TAFE courses so expensive that they are out of the reach of many people in the community. Concurrent with this is the rapid growth of the private sector within VET, with more than half of the private for-profit providers delivering training across the country in receipt of government funding. The incapacity of the regulatory system to cope with the huge increase in providers has led to lack of guarantees about the quality of the training they provide, and issues around more and more public funding for training not going to areas where it is needed most; into industry areas where there are few employment prospects and often not in areas experiencing the greatest skill shortages.

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<sup>20</sup> *ibid*; p553

We would also emphasise the impact of reduced funding, privatisation and competition on regional and rural TAFE colleges around the country. There is already a body of evidence on the educational disadvantage of rural and regional students compared to their metropolitan counterparts, as there is in NAPLAN and VCE results, attendance, Year 12 completion rates and access to university. The cuts and proposed changes to TAFE will serve to further entrench these existing inequities for young people in Australia.

Our submission to the 2014 Inquiry highlights how the traditional users of the TAFE system are those hit hardest by Budget cuts and increasing privatisation and the access, equity and quality issues which arise:

*These include working class students, retrenched and displaced workers, unemployed people, those from disadvantaged backgrounds, students with disabilities, and Aboriginal and Torres Strait Islander communities. The onus will increasingly be on these potential students who will be expected to make choices, and pay increasingly higher fees for courses in a “buyer beware” market context. The decisions made by this generation of young people will have an impact on them for the rest of their lives; they will be indebted for qualifications which may be of uncertain quality, and/or limited labour market usefulness. Significant questions also exist about the quality of information available to these prospective students who now are now required, as “consumers” to make informed choices in this rapidly expanding, and poorly regulated private market.<sup>21</sup>*

The Parliamentary Library’s analysis of the 2014-2015 VET Budget reinforces these concerns, noting that many of the programs which will end are targeted at disadvantaged groups.

*These programs include the National Partnership Agreement on Training Places for Single Parents, the Australian Apprenticeships Access Program and the Workplace English Language and Literacy Programme (WELL). There is no mention of support for disadvantaged job seekers in the proposed new program, whereas the focus of the new program is supplying the requirements of smaller enterprises in emerging industry areas. The Australian Industry Group has raised concerns, particularly about the cessation of the WELL program, noting that ‘over four million working Australians do not have adequate literacy and numeracy skills for the modern economy’. The cutback in training provision and, in particular, the cessation of programs supporting disadvantaged job seekers to enhance their employment prospects, appears to be at odds with other budget initiatives for young people to ‘earn or learn’.<sup>22</sup>*

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<sup>21</sup> AEU, Submission to the Senate Inquiry into Technical and Further Education (TAFE), March 2014. p7

<sup>22</sup> Carol Ey, ‘Support for skills training’, Parliamentary Library Budget Review 2014-15

[http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/BudgetReview201415/Skills](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201415/Skills)

Further cuts to TAFE funding and measures which turn vocational education into a private, for-profit business raise the spectre of the public TAFE system becoming a residual minority provider. This is sharply at odds with the Treasurer's Budget Speech about building an education and training system that is the envy of the world. To do that requires secure funding for TAFEs in order that they can continue their important role in training over one million Australians each year. For the future of the Australian economy and society, TAFE must remain affordable and accessible.

### ***Indigenous Education***

There is little detail publicly available about the specific impact that the Budget's cut of \$534.4 million over five years to Indigenous programs will have on Indigenous education. The Budget papers note that 'Children and Schooling', which is simply described as "getting children to school, improving education outcomes and supporting families to give children a good start in life" will be one of the five programs of the new 'Indigenous Advancement Strategy' which will be replacing over 150 existing Indigenous programs.<sup>23</sup>

According to the Indigenous Affairs Minister the funding cuts "will not make any impact on the ground"<sup>24</sup> and that the new strategy will "transform delivery of services' to Indigenous Australians through establishing a new Remote Community Advancement Network which will deliver "demonstrable improvements in school attendance, employment and community safety".<sup>25</sup>

What we do know is that funding for the 'Indigenous Languages Support Program' which was announced last year has been cut by \$9.5m over 4 years,<sup>26</sup> and that one of the few schooling areas which will attract additional funding (the Chaplaincy program being the most notable) is the program for funding assistance to non-government schools with numbers of Indigenous boarding students from remote areas, which has been allocated an additional \$5.8 million for 2014-15.<sup>27</sup>

Given how closely the few details that are available about the Government's new Indigenous Strategy follow the recommendations of the Audit Commission, the AEU had hoped that the Budget papers would provide more information about the Commission's call to redirect funding for Indigenous education to vouchers for Indigenous children and young people to access accredited early childhood services, schools, vocational education facilities and universities.<sup>28</sup>

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<sup>23</sup> Australian Government, Budget Paper 2, p185

<sup>24</sup> <http://caama.com.au/indigenous-affairs-minister-says-funding-cuts-will-not-make-any-impact-on-the-ground>

<sup>25</sup> Budget Media Release, Nigel Scullion, Delivering our commitments for Indigenous Australians

<sup>26</sup> Budget Paper 2, p59

<sup>27</sup> Australian Government, Budget Paper 2, p90

<sup>28</sup> National Commission of Audit, Appendix Vol 2: 10.3 'Indigenous Programs' pp45-46  
<http://www.ncoa.gov.au/report/appendix-vol-2/index.html>

We would urge this Inquiry to seek, and make public, more information about the Government's intentions in regard to this recommendation.

Where schooling is concerned, the AEU believes that the only legitimate way to achieve the urgent Indigenous Affairs priority of ending the gap in access and outcomes between Indigenous and non-Indigenous students is to deliver on the Coalition's election funding promises and work to secure the Gonski funding measures in all states and territories.

### ***Higher Education***

The AEU has significant concerns that, as with the cuts and policy measures to early childhood education, schooling and TAFE, key higher education measures in the 2014-2015 Budget will add another layer of inequity to Australia's education system. The measures will see a 20 per cent cut to the Government contribution per university place, in addition to uncapping university fees and allowing universities to determine their own fees at as much as three times their current level, with students expected to pay at least 30% more and some courses doubling in cost; increasing the level of student debt and changes to HELP loans; cutting higher education research funding; and deregulation of the provision of places by allowing private, for-profit providers access to public funding.

These measures will destroy what Simon Marginson, Professor of International Higher Education at the University of London's Institute of Education, calls "the predominantly public settings of the present unified Australian higher education system" and transform it into a market-driven system "with a different shape and different patterns of social participation".<sup>29</sup> It will be characterised by sharp divisions within and between universities.

*The first market will be populated by an elite sector of highly selective universities, enriched by high student fees, inhabited as now largely by the middle class, and dominated by students from independent schools. Institutions in this sector will lift their global performance. ... The second market will be a mass sector populated by a miscellany of for-profit private colleges, which will now be supported by tuition loans on the same basis as the public sector (though with lesser transparency and narrower responsibilities and no obligation to provide research depth underneath the teaching), online providers, and large impoverished public universities struggling with their cost base.*<sup>30</sup>

The AEU also has serious concerns about increased student fees and changes to HELP debt repayments as they impact on our current members and on prospective members over time. The Budget changes to HELP will significantly increase costs to students in repaying their HELP debts.

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<sup>29</sup> Simon Marginson, 'Higher education: the age of Pyne the destroyer begins', The Conversation, 16 May 2014

<sup>30</sup> *ibid*

NTEU analysis of these measures shows the financial impact of lowering HELP repayment thresholds and charging students market interest rates on outstanding HELP loans by indexing them to the 10 year government bond rate, rather than the CPI as is currently the case.

*These changes will not only dramatically increase the cost of servicing student debt (\$21 billion over 4 years), but are highly inequitable. Students whose families are in a position to pay their fees up-front will avoid having to pay real interest on HELP loans.*<sup>31</sup>

With the fee increases and changes to HELP, comparative analysis of the proposed changes using the example of a student undertaking a three year degree under pre-Budget conditions and a student undertaking the same degree post-Budget, shows a massive increase in both the size of the debt and how long it would take to repay. Pre-Budget the debt would have been in the order of \$30,000 and take around 10 years to repay; post-Budget, that debt would be around \$75,000 (as a result of fee deregulation) and take around 23 years to repay, ending up paying a total of just under \$100,000 including \$24,000 in interest.<sup>32</sup>

The analysis also shows the impact of career breaks on dramatically increasing that student's debt even further as a result of cumulative outstanding debt and compounding interest payments mounting up over time, and the level of outstanding debt being considerably higher when they return from their career break.<sup>33</sup>

These changes have huge implications for our current and prospective educator members, the majority of whom are women and more likely to incur the impact of career breaks on their HELP.

### ***COMMONWEALTH-STATE RELATIONS AND THE IMPACT OF DECREASED COMMONWEALTH INVESTMENT ON SERVICE DELIVERY BY THE STATES***

The abandonment of a genuinely national commitment to education funding reform, reducing inequity and increasing access, quality and equity across the education system is clearly revealed by the Budget papers.

As advocated by the Audit Commission, the transfer of policy responsibilities in schooling and VET, including the reform agenda, to the state/territories, accompanied by significantly reduced funding, along with a significant reduction in the size of the Commonwealth Department, is a large and complex area. It is at the heart of many of the Abbott Government's proposals and will have far-reaching impacts across all the education sectors.

At its simplest, the huge impact it will have on the spending capacity of the states/territories has serious implications for issues of access, equity and quality across Australia. The

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<sup>31</sup> Paul Kneist, 'The End of Public Higher Education in Australia', *NTEU Advocate*, Vol 21 No 2, June 2014; pp 17- 19

<sup>32</sup> *ibid*, p19

<sup>33</sup> *ibid*, p19



enormity of the implications will be addressed much more comprehensively in our submission(s) around the Government's White Paper on the Reform of the Federation - Education a particular focus.

In the area of school education, Minister Pyne conflates a myriad of complex issues under the slogans of 'Ending Canberra Command and Control' and 'Treating the States and Territories as Independent Adults', free to make their own decisions and allocate funding as they see fit. As pointed out earlier, the Government anticipates that cutting the growth in spending on schools will save almost \$30 billion over the next 10 years, and Treasury estimates the CPI over the ten years to 2024-25 at 2.5%, only half the 4.7% rate of indexation stipulated in the Australian Education Act 2013.

In line with the Government's intention of 'Ending Canberra Command and Control' and allowing states/territories/systems to run their own schooling systems, "*states, territories and school systems are responsible for the operation and management of their schools, including determining the distribution of funding to their schools*". ie. distributing funding on a needs-basis is no longer a requirement.

The *Australian Education Act 2013* affirms the Melbourne Declaration on Educational Goals for Young Australians (2008), and the fundamental responsibility of all governments, Commonwealth, state and territory, as well other partners involved in the provision of education in Australia, to make a national commitment to cooperation and collaboration in ensuring high quality schooling for all Australian students, regardless of their background, circumstances or where they live. It commits the Commonwealth to working with state and territory governments and non-government education authorities, to implement a National Plan for School Improvement as set out in the National Education Reform Agreement, with increased funding for government schools conditional on agreement to meet these obligations.

Genuine education reform in all sectors requires sophisticated and coordinated approaches across the states and territories, and must be led by the Commonwealth. Making unilateral educational policy decisions at the Federal level, without genuine involvement of the states and territories in decision-making processes, compounded by the Government creating an illusion that it is leaving education policy decision up to the states and territories, is antithetical to effective reform which requires the collaboration and engagement of all parties.

### ***THE FAIRNESS AND EFFICIENCY OF REVENUE RAISING***

The AEU has a strong position that for Australia's future to be fair and equitable for all, it is the responsibility of good governments to foster the social and economic opportunities of all their citizens. A fair and equitable tax system is a precondition of this objective.

Properly administered, with a focus on fairly distributing wealth and income, revenue raising is the foundation of a stronger, more sustainable economy and a fairer society. It is a collective investment by Australians in the future of their country.

Without an adequate revenue base, governments are unable to provide essential services and benefits which play a key role in helping create the conditions for responsible economic growth and development, alleviating social and economic disadvantage and maintaining a socially cohesive and fair nation.

The design of the tax system and its capacity to raise revenue has effects which greatly increase or reduce hardship and inequity. People who are substantially disadvantaged by lack of income or other difficulties are especially vulnerable if the tax system fails to treat them fairly.

We are concerned that the 2014-2015 Budget is focussed on cutting public expenditure rather than equitable revenue raising to promote sustainable economic and social development and provide benefits for all Australians. Such an approach undermines the provision of quality services and public programs in the interests of all Australians and the required investment in public education and training and infrastructure necessary in the modern global economy. Adequate and equitable investment in public education and training is the necessary first step toward building the capacity of preschools, schools and TAFEs to deliver excellent outcomes for all students, which is fundamental to equity and social cohesion, and to ensuring the quality of our future workforce and ensuring future economic prosperity.

Our position is outlined more fully in the AEU's 'Securing the Revenue Base for High Quality Public Services Policy (2011), a copy of which is attached as an appendix to this submission.

### ***PUBLIC SECTOR JOB CUTS***

The AEU is opposed to the proposed job cuts across the federal sector, including 410 jobs from the education portfolio. Not only will these cuts impact directly on the provision of services to the Australian public, but they also have flow on effects to services and communities.

The AEU shares the ACTU's concerns that the Budget job cuts numbers do not include further losses associated with the Abbott Government's plan, as recommended by the Audit Commission, to outsource or privatise programs and services across the public sector. While the extent of further cuts is not yet known, they will inevitably decrease the capacity of the public sector to deliver programs and services to the public, which will further compound the disadvantage and increase inequality as addressed throughout this submission.

# APPENDIX ONE

# The 2014 Commonwealth Budget: Ending the schools funding ‘unity ticket’

J F McMorrow  
June 2014

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Dr Jim McMorrow was formerly a senior official and policy adviser at both Commonwealth and State levels.

In relation to schools funding, the central messages of the Abbott Government's first Budget are these:

- It has confirmed that the Government's pre-election commitment to a 'unity ticket' on the 'Gonski' schools funding reforms applied only to the first four years of Labor's six-year transition to its full 'Gonski' schools funding model.
- Commonwealth funding for 2018 and beyond will be increased in response to growth in student numbers as well as in line with general inflation, as measured by the Consumer Price Index (CPI)<sup>1</sup>, as the Abbott Government's contribution to what it calls a 'functioning federation'<sup>2</sup>.

In sum, this means that the longer-term allocation of Commonwealth funding for schools will not be consistent with the principles and reforms recommended by the Gonski panel.

The 2014 Budget's overall allocations for education are first set out in the 'expenses' section of Budget Paper No. 1, as outlined in Table 1 below.

**Table 1**

**Commonwealth Budget for Education 2014**

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
<b>government schools</b>	4,803	5,114	5,689	6,348	6,872
<b>non-government schools</b>	8,764	9,260	9,957	10,685	11,277
<b>Schools: specific funding</b>	1,151	734	282	194	163
<b>Higher Education</b>	8,970	9,223	9,274	9,282	9,465
<b>Vocational and other education</b>	1,766	1,824	1,837	2,003	1,515
<b>Student Assistance</b>	3,998	3,338	3,110	3,264	3,431
<b>General administration</b>	255	61	56	67	65
<b>Total</b>	<b>29,707</b>	<b>29,554</b>	<b>30,205</b>	<b>31,843</b>	<b>32,788</b>

Source:

Commonwealth Budget 2014, Budget Paper No. 1, Table 7, page 6-19

<sup>1</sup> Budget 2014, Paper No. 1, page 6-20

<sup>2</sup> Budget Overview 2014, page 7

Note that the 'schools' section of this table is in three parts: government schools; non-government schools; and 'school education – specific funding'. The last refers to a range of programs, including National Partnership Payments for schools in both sectors, as well as funding for early childhood education and for programs such as youth transition that are administered outside the education portfolio.

Note also, in passing, that Commonwealth funding for non-government schools will exceed that for higher education over the Budget forward estimates. Funding for higher education, for which the Commonwealth has sole public funding responsibility, is budgeted to decrease in real terms over the period, due to the Government's policy to reduce subsidies under the Commonwealth Grants scheme and to allow higher education providers to set their own course fees<sup>3</sup>. Funding for non-government schools will increase over the Budget estimates in line with the Budget allocations set out in this paper.

Because of the complexity around funding under the 'school education - specific funding' element of the allocations from Budget Paper No.1 as outlined in Table 1, a better picture of the Budget's implications for schools funding in the wake of the Gonski report is contained in the payments for government and non-government schools set out in Budget Paper No. 3 and the Department of Education's portfolio statements.

These payments are provided to school authorities through four funding sources:

1. *Baseline funding*: the bulk of Commonwealth funding for schools – around \$13 billion in 2013-14 - is provided from this source, which extends previous long-standing programs, especially general recurrent per capita grants for government and non-government schools. Under current arrangements, funding for this element will increase over the four years 2014 to 2017 in line with growth in student numbers and by indexation of 4.7 per cent per annum for schools below the schooling resource standard (see below) and 3 per cent for the small number of schools above that standard<sup>4</sup>.
2. *'Gonski' funding*: based on the recommendations of the Gonski panel to introduce a schooling resource standard for all schools supplemented by loadings for schools characterised by various forms of disadvantage, such as low socio-economic status, language difficulties, disability, school size and remoteness. Funding for all schools under this element is estimated to increase from around \$350 million in 2014 to over \$1.6 billion in 2017<sup>5</sup>. As

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<sup>3</sup> Budget 2014, Paper No. 1, page 6-19 to 6-20

<sup>4</sup> *Australian Education Act 2013, Sections 60(2) and 61(3).*

<sup>5</sup> Senate Standing Committee on Education and Employment, additional estimates 2013-14, answer to question on notice no. ED0264\_14

noted above, the Abbott Government has now confirmed that the increased funding under this element after 2017, as foreshadowed by the previous Government, will not proceed. Instead, 'Gonski' funding after 2017 will be indexed annually for CPI changes.

3. *National Partnership Payments*: including payments made under national agreements for programs for meeting the needs of schools with concentrations of disadvantaged students; for supporting improvements in the quality of teaching; and for trade training centres in secondary schools. An outline of funding trends in National Partnership Payments since 2011-12 is provided in Table S1 of the supplementary tables to this paper.
4. *School Support programs*: administered directly by the Departments of Education and the Treasury. They include funding for such Government priorities as the extension of the Schools Chaplaincy program by almost \$60 million annually from 2013-14. Supplementary Table S2 outlines the current Budget allocations for these programs.

Leaving aside the school support programs, which tend to vary over time according to ministerial and prime ministerial proclivities, a picture of funding trends in the remaining elements over the Budget's financial years is presented in Table 2 below.

**Table 2**

**Budget 2014: Commonwealth Funding for Schools**

	Budget 2014 estimates							Change from 2011-12	
	Final								
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	\$m	%
	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
<b>government schools</b>									
Baseline funding (a)	3,776	3,945	4,354	4,684	4,960	5,260	5,545	1,770	
"Gonski" increases			134	430	729	1,088	1,326	1,326	
<b>s/t Students First funding</b>	<b>3,776</b>	<b>3,945</b>	<b>4,488</b>	<b>5,114</b>	<b>5,689</b>	<b>6,347</b>	<b>6,872</b>	3,096	
National Partnerships	1,162	801	486	173	109	54	33	-1,129	
<b>Total</b>	<b>4,938</b>	<b>4,746</b>	<b>4,973</b>	<b>5,286</b>	<b>5,798</b>	<b>6,401</b>	<b>6,904</b>	<b>1,967</b>	<b>40%</b>
<b>non-government schools</b>									
Baseline funding (a)	7,579	7,965	8,693	9,138	9,765	10,415	10,957	3,378	
"Gonski" increases			43	123	192	270	320	320	
<b>s/t Students First funding</b>	<b>7,579</b>	<b>7,965</b>	<b>8,736</b>	<b>9,260</b>	<b>9,957</b>	<b>10,685</b>	<b>11,277</b>	3,698	
National Partnerships	380	282	175	79	21	20	14	-366	
<b>Total</b>	<b>7,959</b>	<b>8,247</b>	<b>8,910</b>	<b>9,339</b>	<b>9,978</b>	<b>10,704</b>	<b>11,291</b>	<b>3,332</b>	<b>42%</b>
<b>All schools</b>									
Baseline funding	11,355	11,910	13,047	13,822	14,726	15,675	16,503	5,147	
"Gonski" increases			177	553	921	1,358	1,646	1,646	
<b>s/t Students First funding</b>	<b>11,355</b>	<b>11,910</b>	<b>13,223</b>	<b>14,374</b>	<b>15,646</b>	<b>17,032</b>	<b>18,149</b>	6,794	
National Partnerships	1,542	1,082	661	251	130	73	47	-1,495	
<b>Total</b>	<b>12,897</b>	<b>12,992</b>	<b>13,884</b>	<b>14,625</b>	<b>15,776</b>	<b>17,105</b>	<b>18,196</b>	<b>5,299</b>	<b>41%</b>
<b>% government schools</b>	<b>38%</b>	<b>37%</b>	<b>36%</b>	<b>36%</b>	<b>37%</b>	<b>37%</b>	<b>38%</b>		

Sources: Budget 2014 Paper No. 3 Table 2.5;

Senate Standing Committee on Education and Employment, Response to Question no. ED0264\_14

(a) assumes baseline funding increases annually for growth in indexation and enrolments, see Australian Education Act 2013 Sections 34, 60 and 61.

The data from Table 2 indicate that Commonwealth funding is budgeted to increase in money terms by almost \$2 billion for government schools and \$3.3 billion for non-government schools over the period from 2011-12 to 2017-18. Using the financial years 2011-12 as a base enables the trends in the current Budget estimates to be assessed against the date of the tabling of the Gonski report in December 2011 and the financial commitments made by the previous Government at that time.



These data can also be expressed in real terms, by adjusting the figures in Table 2 for actual and estimated changes in the price of schooling over the funding period, weighted in particular by movements in education salaries and wages. This approach to the indexation of schools funding is consistent with that recommended by the March 2014 report of the Commission of Audit<sup>6</sup>.

Table 3 outlines these estimates of funding changes in real terms, using financial year 2013-14 as the benchmark for comparing changes in the price of schooling over the budget years.

**Table 3**

**Budget 2014: Commonwealth Funding for Schools to 2017-18**

**Estimated constant Year 2013-14 prices**

	Budget Outcomes and Estimates							Change on 2011-12	
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	\$m	%
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>government schools</b>									
Baseline funding	3,992	4,058	4,354	4,556	4,690	4,835	4,937	945	24%
"Gonski" increases			134	418	689	1,000	1,181	1,181	na
<b>s/t Students First funding</b>	<b>3,992</b>	<b>4,058</b>	<b>4,488</b>	<b>4,974</b>	<b>5,380</b>	<b>5,834</b>	<b>6,118</b>	<b>2,126</b>	<b>53%</b>
National Partnerships	1,228	824	486	168	103	49	29	-1,199	-98%
<b>Total</b>	<b>5,220</b>	<b>4,882</b>	<b>4,973</b>	<b>5,142</b>	<b>5,483</b>	<b>5,883</b>	<b>6,147</b>	<b>927</b>	<b>18%</b>
<b>non-government schools</b>									
Baseline funding	8,014	8,194	8,693	8,889	9,234	9,573	9,755	1,742	22%
"Gonski" increases			43	119	181	248	285	285	na
<b>s/t Students First funding</b>	<b>8,014</b>	<b>8,194</b>	<b>8,736</b>	<b>9,008</b>	<b>9,415</b>	<b>9,821</b>	<b>10,040</b>	<b>2,027</b>	<b>25%</b>
National Partnerships	402	290	175	76	20	18	12	-389	-97%
<b>Total</b>	<b>8,415</b>	<b>8,484</b>	<b>8,910</b>	<b>9,084</b>	<b>9,435</b>	<b>9,839</b>	<b>10,053</b>	<b>1,637</b>	<b>19%</b>
<b>All schools</b>									
Baseline funding	12,006	12,253	13,047	13,444	13,924	14,408	14,692	2,687	22%
"Gonski" increases	0	0	177	537	870	1,248	1,466	1,466	na
<b>s/t Students First funding</b>	<b>12,006</b>	<b>12,253</b>	<b>13,223</b>	<b>13,982</b>	<b>14,794</b>	<b>15,655</b>	<b>16,158</b>	<b>4,152</b>	<b>35%</b>
National Partnerships	1,630	1,114	661	245	123	67	41	-1,589	-97%
<b>Total</b>	<b>13,636</b>	<b>13,367</b>	<b>13,884</b>	<b>14,226</b>	<b>14,918</b>	<b>15,723</b>	<b>16,200</b>	<b>2,564</b>	<b>19%</b>
<b>% government schools</b>	<b>38%</b>	<b>37%</b>	<b>36%</b>	<b>36%</b>	<b>37%</b>	<b>37%</b>	<b>38%</b>		

Sources :See Table 2

estimated schools price index 2013-14 = 100      94.58      97.20      100.00      102.81      105.76      108.79      112.32

<sup>6</sup> Commission of Audit, *Towards Responsible Government*, March 2014, Section 9.7

Government schools will benefit from the phase-in of the Gonski funding model over the period. But as Table 3 demonstrates, the \$1.18 billion real increase arising from the 'Gonski' source from 2011-12 will be completely negated by the \$1.2 billion winding-down of National Partnership Payments over that period.

Funding provided through National Partnerships from 2011-12 is indicative of the financial commitments deemed appropriate by government at that time and provides a defensible reference point for funding trends and comparisons<sup>7</sup>.

This stalling in the net benefits of the Gonski reforms, through a 'folding in' of the National Partnership Payments, was intended by the previous Government to be redeemed by escalating funding increases over the fifth and sixth years of the transition period, namely 2018 and 2019. But the current Government has now formally ended the funding reform process from 2017 and returned the relative shares of the Commonwealth's responsibilities for government and non-government schools to that of the past.

Government schools will have most to lose from the subsuming of National Partnership Payments into the 'Gonski' increases. Non-government schools, on the other hand, will continue to receive the bulk of their increases from 'baseline' funding.

Government schools' share of Commonwealth funding is budgeted to remain steady at around 38 per cent over the period. In other words, the phase-in of the Gonski reforms over the Budget period will have no effect on the Commonwealth's relative contribution to government schools over the period covered by Table 3.

What this means is that the funding reforms put forward by the previous Government have been neutered over the Budget period, with no hope from the current Government for a more comprehensive and enlightened approach to schools funding, such as that put forward by the Gonski panel.

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<sup>7</sup> Some of the moneys for National Partnerships were provided in infrastructure, such as trades training centres in schools, while the essence of the 'Gonski' reforms was directed in the first instance at improvements in recurrent resource standards in schools. The Gonski panel also pointed to the need for enhanced capital investment by governments in schools, *Review of Funding for Schooling*, 2011, section 2.4

## Funding projections to 2019-20

Based on the Government's decision to adjust schools funding from 2018 by movements in the CPI plus allowances for changes in school enrolments, allocations for the following two financial years are projected in Table 4.1:

**Table 4.1**

**Budget 2014: projected Commonwealth Funding for Schools to 2019-20**

**\$m assuming partial 'Gonski' funding model to 2017 only, as announced by the Abbott Government in its 2014 Budget**

**Estimated constant Year 2013-14 prices**

	Budget Outcomes and Estimates							Projections		Change on 2011-12	
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>government schools</b>											
Baseline funding	3,992	4,058	4,354	4,556	4,690	4,835	4,937	5,130	5,330	1,338	34%
"Gonski" increases			134	418	689	1,000	1,181	1,210	1,241	1,241	na
<b>s/t Students First funding</b>	<b>3,992</b>	<b>4,058</b>	<b>4,488</b>	<b>4,974</b>	<b>5,380</b>	<b>5,834</b>	<b>6,118</b>	<b>6,340</b>	<b>6,570</b>	<b>2,578</b>	<b>65%</b>
National Partnerships	1,228	824	486	168	103	49	29	30	31	-1,198	-98%
<b>Total</b>	<b>5,220</b>	<b>4,882</b>	<b>4,973</b>	<b>5,142</b>	<b>5,483</b>	<b>5,883</b>	<b>6,147</b>	<b>6,370</b>	<b>6,601</b>	<b>1,380</b>	<b>26%</b>
<b>non-government schools</b>											
Baseline funding	8,014	8,194	8,693	8,889	9,234	9,573	9,755	10,194	10,653	2,639	33%
"Gonski" increases			43	119	181	248	285	292	299	299	na
<b>s/t Students First funding</b>	<b>8,014</b>	<b>8,194</b>	<b>8,736</b>	<b>9,008</b>	<b>9,415</b>	<b>9,821</b>	<b>10,040</b>	<b>10,486</b>	<b>10,952</b>	<b>2,939</b>	<b>37%</b>
National Partnerships	402	290	175	76	20	18	12	13	13	-389	-97%
<b>Total</b>	<b>8,415</b>	<b>8,484</b>	<b>8,910</b>	<b>9,084</b>	<b>9,435</b>	<b>9,839</b>	<b>10,053</b>	<b>10,499</b>	<b>10,965</b>	<b>2,550</b>	<b>30%</b>
<b>All schools</b>											
Baseline funding	12,006	12,253	13,047	13,444	13,924	14,408	14,692	15,324	15,983	3,977	33%
"Gonski" increases			177	537	870	1,248	1,466	1,502	1,540	1,540	na
<b>s/t Students First funding</b>	<b>12,006</b>	<b>12,253</b>	<b>13,223</b>	<b>13,982</b>	<b>14,794</b>	<b>15,655</b>	<b>16,158</b>	<b>16,826</b>	<b>17,523</b>	<b>5,517</b>	<b>46%</b>
National Partnerships	1,630	1,114	661	245	123	67	41	43	44	-1,586	-97%
<b>Total</b>	<b>13,636</b>	<b>13,367</b>	<b>13,884</b>	<b>14,226</b>	<b>14,918</b>	<b>15,723</b>	<b>16,200</b>	<b>16,869</b>	<b>17,566</b>	<b>3,930</b>	<b>29%</b>
<b>% government schools</b>	<b>38%</b>	<b>37%</b>	<b>36%</b>	<b>36%</b>	<b>37%</b>	<b>37%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>		

Sources: see Table 2; Budget Overview 2014, page 7; MYEFO 2013, Attachment E, Annex A, Table A.2

MYEFO 2013 Chart 3.1, page 21; Budget 2013 Paper 2 page 120

Budget 2013 supplement, 'Fully funded reform', National Plan for School Improvement

Sources: Budget Overview 2014, page 7; MYEFO 2013, Attachment E, Annex A, Table A.2

MYEFO 2013 Chart 3.1, page 21; Budget 2013 Paper 2 page 120; Final Outcomes 2011-12 and 2012-13

Budget 2013 supplement, 'Fully funded reform', National Plan for School Improvement

estimated schools price index      94.58      97.20      100.00      102.81      105.76      108.79      112.32      115.97      119.73

The assumptions used in Table 4.1 to estimate future funding in real terms are based on domestic economic forecasts outlined in the Budget papers<sup>8</sup>. The forecasts in this table indicate that Commonwealth funding for government schools would increase in real terms by a further \$0.45 billion to a total of \$6.6 billion by 2019-20; while funding for non-government schools would increase by \$0.9 billion, to a total of just under \$11 billion, over the same period.

<sup>8</sup> Budget 2014 Paper No. 1, Table 1 page 2-5

From Table 4.1 it is estimated that the real increase in Commonwealth schools funding in 2019-20 compared with 2011-12 would be around \$1.4 billion for government schools and \$2.5 billion for non-government schools. Almost all of this growth arises from increases in baseline funding, reflecting projected enrolment growth and arbitrary decisions about indexation. The 'Gonski' increases have been nullified by the winding down of National Partnership Payments, affecting funding for government schools in particular.

Table 4.2 below outlines projections of Commonwealth funding based on decisions announced by the former Government in its 2013 Budget:

**Table 4.2**

**Budget 2014: projected Commonwealth Funding for Schools to 2019-20**

**\$m assuming full 'Gonski' funding model as announced by the former Labor Government in its 2013 Budget**

**Estimated constant Year 2013-14 prices**

	Budget Outcomes and Estimates							Projections		Change on 2011-12	
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>government schools</b>											
Baseline funding	3,992	4,058	4,354	4,556	4,690	4,835	4,937	5,233	5,547	1,555	39%
"Gonski" increases	0	0	134	418	689	1,000	1,181	1,600	3,200	3,200	na
<b>s/t Students First funding</b>	<b>3,992</b>	<b>4,058</b>	<b>4,488</b>	<b>4,974</b>	<b>5,380</b>	<b>5,834</b>	<b>6,118</b>	<b>6,833</b>	<b>8,747</b>	<b>4,755</b>	<b>119%</b>
National Partnerships	1,228	824	486	168	103	49	29	30	31	-1,198	-98%
<b>Total</b>	<b>5,220</b>	<b>4,882</b>	<b>4,973</b>	<b>5,142</b>	<b>5,483</b>	<b>5,883</b>	<b>6,147</b>	<b>6,863</b>	<b>8,778</b>	<b>3,557</b>	<b>68%</b>
<b>non-government schools</b>											
Baseline funding	8,014	8,194	8,693	8,889	9,234	9,573	9,755	10,389	11,065	3,051	38%
"Gonski" increases			43	119	181	248	285	400	800	800	na
<b>s/t Students First funding</b>	<b>8,014</b>	<b>8,194</b>	<b>8,736</b>	<b>9,008</b>	<b>9,415</b>	<b>9,821</b>	<b>10,040</b>	<b>10,789</b>	<b>11,865</b>	<b>3,851</b>	<b>48%</b>
National Partnerships	402	290	175	76	20	18	12	13	13	-389	-97%
<b>Total</b>	<b>8,415</b>	<b>8,484</b>	<b>8,910</b>	<b>9,084</b>	<b>9,435</b>	<b>9,839</b>	<b>10,053</b>	<b>10,802</b>	<b>11,878</b>	<b>3,462</b>	<b>41%</b>
<b>All schools</b>											
Baseline funding	12,006	12,253	13,047	13,444	13,924	14,408	14,692	15,623	16,612	4,606	38%
"Gonski" increases			177	537	870	1,248	1,466	2,000	4,000	4,000	na
<b>s/t Students First funding</b>	<b>12,006</b>	<b>12,253</b>	<b>13,223</b>	<b>13,982</b>	<b>14,794</b>	<b>15,655</b>	<b>16,158</b>	<b>17,623</b>	<b>20,612</b>	<b>8,606</b>	<b>72%</b>
National Partnerships	1,630	1,114	661	245	123	67	41	43	44	-1,586	-97%
<b>Total</b>	<b>13,636</b>	<b>13,367</b>	<b>13,884</b>	<b>14,226</b>	<b>14,918</b>	<b>15,723</b>	<b>16,200</b>	<b>17,665</b>	<b>20,656</b>	<b>7,020</b>	<b>51%</b>
<b>% government schools</b>	<b>38%</b>	<b>37%</b>	<b>36%</b>	<b>36%</b>	<b>37%</b>	<b>37%</b>	<b>38%</b>	<b>39%</b>	<b>42%</b>		

Sources: see Table 2; Budget Overview 2014, page 7; MYEFO 2013, Attachment E, Annex A, Table A.2

MYEFO 2013 Chart 3.1, page 21; Budget 2013 Paper 2 page 120

Budget 2013 supplement, 'Fully funded reform', National Plan for School Improvement

Sources: Budget Overview 2014, page 7; MYEFO 2013, Attachment E, Annex A, Table A.2

MYEFO 2013 Chart 3.1, page 21; Budget 2013 Paper 2 page 120; Final Outcomes 2011-12 and 2012-13

Budget 2013 supplement, 'Fully funded reform', National Plan for School Improvement

estimated schools price index 2013-14 = 100      94.58      97.20      100.00      102.81      105.76      108.79      112.32      115.97      120

The projections to 2019-20 in Table 4.2 are based on the provisions in the Australian Education Act 2013 to index the School Resourcing Standard annually by 3.6 per cent, to adjust the Commonwealth's contribution to 'baseline' funding each year for enrolments and by annual indexation 4.7 per cent for schools operating below the Gonski resources standard and by 3 per cent for schools operating above that

standard<sup>9</sup>, compared with the Abbott Government's projected rate of around 2.5 per cent for annual movements in the Consumer Price Index<sup>10</sup>.

It can be seen from Table 4.2 that full implementation of the Gonski model over six years would more than compensate for the budgeted reductions in National Partnership Payments over the period since 2011-12.

For government schools, net Commonwealth funding from all sources would increase in real terms by around \$3.6 billion by 2019-20 compared with 2011-12. Ninety per cent of this increase would arise from the full implementation of the 'Gonski' model as defined in the Australian Education Act 2013.

This level of support would increase the Commonwealth's share of funding for government schools from 38 per cent in 2017-18 to 42 per cent in 2019-20.

By contrast, almost 90 per cent of the \$3.5 billion funding increase for non-government schools from 2011-12 to 2019-20 would be derived from the 'baseline' funding source.

The total real 'Gonski' increase in Commonwealth funding by 2019-20 for all schools is estimated in Table 4.2 at \$4 billion, in financial year 2013-14 prices. State and Territory contributions were intended to augment this amount, to a total of over \$6 billion. This amount is comparable in real terms to the Gonski report's costing of the proposed funding model, estimated at around \$5 billion in 2009 prices<sup>11</sup>.

The significance of the shortfall in Commonwealth funding arising from the non-implementation of the final two years of the proposed transition to the full 'Gonski' model is evident from a comparison of the allocations in Tables 4.1 and 4.2 as outlined in Table 5 below.

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<sup>9</sup> *Australian Education Act 2013, Sections 34(3), 60(2) and 61(3).*

<sup>10</sup> CPI trends based on domestic economy forecasts in Budget 2014, Paper No. 1, Statement 2, Table 1.

<sup>11</sup> Review of Funding for Schooling, David Gonski (chair), 2011, page 208.

**Table 5****Budget 2014: projected Commonwealth Funding for Schools to 2019-20****Shortfall in Budget allocations compared with full 'Gonski' model****Estimated constant Year 2013-14 prices**

<b>Projections</b>			
	<b>2018-19</b>	<b>2019-20</b>	<b>Total over two years</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>government schools</b>			
Baseline funding (a)	-104	-218	
"Gonski" increases	-390	-1,959	
<b>Total</b>	<b>-493</b>	<b>-2,177</b>	<b>-2,670</b>
<b>non-government schools</b>			
Baseline funding (a)	-195	-412	
"Gonski" increases	-108	-501	
<b>Total</b>	<b>-303</b>	<b>-912</b>	<b>-1,216</b>
<b>All schools</b>			
Baseline funding	-299	-629	
"Gonski" increases	-498	-2,460	
<b>Total</b>	<b>-796</b>	<b>-3,089</b>	<b>-3,886</b>
<b>% government schools</b>	<b>62%</b>	<b>70%</b>	<b>69%</b>

Sources: See Tables 3, 4.1 and 4.2

Table 5 projects that for government schools the shortfall between the part and full application of the Gonski reforms is almost \$2.7 billion over the two financial years 2018-19 and 2019-20. For non-government schools, the shortfall is \$1.2 billion. The higher shortfall for government schools arises from the much higher incidence of educational disadvantage in that sector, as recognised by the Gonski panel and from the 'Gonski' lines in Table 5.

Most State and Territory governments have expressed their concern about the withdrawal of the Commonwealth's commitment to schools funding reform in the longer term. For example, the New South Wales Minister for Education has made clear the kind of support that would be threatened by the Commonwealth's withdrawal from the agreement previously reached between the two levels of government, including '*... initiatives to improve the quality of teaching; reforms to maths*

*and science teaching and learning; literacy and numeracy reforms; targeted funding for students with high needs, such as those with a disability, refugees or from disadvantaged backgrounds; and expanded use of personalised learning for all students'*<sup>12</sup>.

A deficit of almost \$2.2 billion for government schools in the final year of the proposed transition period in 2019-20 translates to the equivalent of around 20,000 teachers across the nation that would otherwise have been available for schools and students with the greatest need.

Not all schools would benefit equally from the full implementation of the Gonski reforms. For example, the extension of those reforms over six years would enable schools in non-metropolitan areas with concentrations of students from low-socio economic and Aboriginal backgrounds or in outer metropolitan areas with students from refugee and migrant communities to respond to urgent needs, such as additional teaching and support staff, speech therapists, English as a Second Language specialists, student counsellors, Aboriginal Education officers and parent and community support. It would also enable schools to upgrade technology support for students and teachers; and provide teachers with professional development support in a range of areas, such as literacy and learning, reading, early numeracy and science and mathematics.

The loss of this kind of support for schools and students with the greatest need will have serious consequences for the achievement of both quality and equity in schooling across Australia.

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<sup>12</sup> Adrian Piccoli, NSW Minister for Education, *Fairer schools for all remains a dream*, Australian Financial Review, 19 May 2014.

## Conclusion

The review of schools funding chaired by David Gonski was commissioned by the former Government in April 2010 and completed by December 2011. Over that time the review panel received 7,000 formal submissions, commissioned research reports and consulted widely with professionals, schools and interest groups across all sectors.

The panel noted the decline in student performance as measured by international benchmarks and, in particular, the significant gap between the highest and lowest performing students in schools. The panel's report was highly critical of the funding arrangements that had evolved over time, concluding that those arrangements were complex, incoherent, uncoordinated and unbalanced<sup>13</sup>.

The panel's solution to these endemic problems in Australian schooling was to recommend a reformed national approach to schools funding that would enable all schools to operate at a standard of resources appropriate to the needs of the particular students they enrol.

By contrast, the Abbott Government's formal position on schools funding, as announced in the May 2014 Budget, was developed without widespread consultation and without a clear and consistent message about policy directions and priorities. From the Budget's decisions, the Government's position can now be characterised as follows:

- ❖ Partial commitment to the funding model developed by the Gonski review as modified by the former Labor Government, endorsed by Parliament in the *Australian Education Act 2013*, **only** over the calendar years 2014 to 2017 inclusive.
- ❖ Winding-down and terminating almost all *National Partnership Payments*, to the point that the funding reductions in these payments effectively nullify the 'Gonski' increases over the four years to 2017. Government schools were the principal beneficiaries of National Partnership Payments.
- ❖ Formally ending any commitment to the final two years of the previous Government's transition program to the full 'Gonski' model by 2019. Providing the additional funding in 2018 and 2019 would have ensured that

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<sup>13</sup> *Review of Funding for Schooling*, David Gonski (chair), 2011, page xi.



almost all schools would have been able to operate at the resourcing standards proposed by the Gonski review. Government schools would have benefited most from the full 'Gonski' model, as noted in the tables in this paper.

- ❖ Removing any conditionality on State or Territory governments to contribute to the 'Gonski' schooling resource standard for their schools; or even any formal 'maintenance of effort' requirement to ensure that increased Commonwealth funding is protected from the counteracting effects of any State or Territory funding cuts.

The Government's justification for its position on stabilising rather than increasing schools funding beyond 2017 is essentially that of responding to a need to 'repair' the Commonwealth's budget situation<sup>14</sup>. This kind of rationale, which regards schools funding as a financial burden rather than an opportunity to invest in repairing schooling inequities and standards<sup>15</sup>, is contested<sup>16</sup>.

More than this, it overlooks the fact that the projected \$4 billion increase in 'Gonski' funding in 2019-20 compared in real terms with 2011-12 would amount to less than 1 per cent of total Commonwealth spending; and only around 0.3 per cent of Gross Domestic Product<sup>17</sup>.

Minister Pyne has argued that increased public funding over the past decade has not led to improved outcomes<sup>18</sup>. This argument has been taken up by a number of other critics of government spending, including the Commission of Audit<sup>19</sup>.

The key problem with this kind of crude approach is, as David Gonski recently noted, that it fails to take into account the way that the increased funding has been distributed between schools<sup>20</sup>. Nor does it acknowledge that the largest increases in

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<sup>14</sup> Budget 2014, *Budget Overview: the case for Budget Repair*, page 3.

<sup>15</sup> *Review of Funding for Schooling*, David Gonski (chair), 2011, Chapter 4.7: *Justification for additional investment in Australian Schooling*, pages 211-12.

<sup>16</sup> E.g. Professor Phil Lewis, *Australia's economy is healthy, so how can there be a budget crisis*, The Conversation, 5 May 2014; Ross Gittins, *Less to the budget than meets the eye*, Sydney Morning Herald, 19 May 2014; Peter Fray, *Fiscal crisis? It really depends who you listen to*, The Australian, 2 May 2014; Jonathon Swan, *Economists sceptical of Abbott's 'budget emergency'*, Sydney Morning Herald, 30 April 2014.

<sup>17</sup> Budget 2014, Paper no. 1, Statement 10, Table 1 page 10-7

<sup>18</sup> Christopher Pyne media release, *PISA results show more work to be done*, 3 December 2013.

<sup>19</sup> Commission of Audit, *Towards Responsible Government: link between funding and outcomes*, March 2014, Section 9.7

<sup>20</sup> David Gonski, *Jean Blackburn Oration*, Australian College of Educators, page 29, 21 May 2014

funding over the past decade and more have been for schools in the non-government sector<sup>21</sup>.

The Government's rhetoric promotes the view that any reform of funding responsibility for government schools henceforth rests with State and Territory governments alone. But this imbalance in federal and state responsibilities for government and non-government schools was condemned by the Gonski panel. It argued for a coherent national approach where the Commonwealth, in particular, would enhance its funding responsibility for government schools.

The Abbott Government has not clarified its position on future funding of non-government schools, although Minister Pyne has revealed that the Government will continue to fund non-government schools directly because of its '*emotional commitment*' to non-government schooling, which creates '*...a particular responsibility for Non-Government schooling that we don't have for [State] Government schooling*'<sup>22</sup>.

This view is consistent with a continuing bifurcation of underlying responsibilities for government and non-government schools between the two levels of government. This continues to place government schools in an invidious and vulnerable position because of the range and cost of services provided by State and Territory governments and the limitations on the sources of revenue available to those governments.

The end game of Minister Pyne's assurances to the non-government sector, however, would continue to place non-government schools and systems in the favourable position of receiving the bulk of their public moneys from the level of government with the greater access to the highest levels of taxation and other revenue.

Minister Pyne's statement in effect moves the focus of Commonwealth policies for schools from being 'sector neutral', as proposed by the Gonski report, to that of 'emotional support' for non-government schooling and, by inference, to indifference about the quality of public schooling.

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<sup>21</sup> Justine Ferrari, *Public schools fare worst in funding*, The Australian, 28 January 2014; Parliamentary Library, *Australian Government funding for schools explained*, , 31 January 2014

<sup>22</sup> *Pyne Commits to Ongoing (sic) Direct Federal Funding for NG Schools*, speech to Christian Schools National Policy Forum 26 May 2014

Such a view effectively kyboshes<sup>23</sup> any hope for a public consensus about the principles and criteria for public funding of government and non-government schools.

Instead, we are left with a reversion to the policy contexts of fear and divisiveness, which have characterised public debate about schools funding for more than a century.

The Government has made a commitment to develop a White Paper on the reform of the Australian Federation<sup>24</sup>. The early signs are that the Commonwealth will use this vehicle to promote its view on pushing funding reform for public schooling and other State services back to State and Territory governments. But if this were to happen, it would be a missed opportunity to move towards a more mature and comprehensive funding policy framework focussed on the responsibilities of all levels of government to meet the needs of all schools and all students.

In Australia's federal context it is necessary to examine the public funding of government and non-government schools by States and Territories, as well as the Commonwealth, for a full understanding of funding policies and effects. This paper analyses the Commonwealth's contribution, as a contribution to that understanding, and hopefully as a precursor to a more comprehensive exploration of schools funding issues than is evident from the 2014 federal Budget.

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<sup>23</sup> In the sense of the gaelic *cie báis*, meaning 'cap of death', said to have been worn by executioners and by judges when pronouncing sentence of death.

<sup>24</sup> Budget Paper No. 1, Statement 1, page 1-10

## Supplementary Tables

**Table S1**

**Commonwealth Budget for schools 2014: National Partnership Payments**

Programs (a)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Improving literacy and numeracy	147.3	161.2	80.0				
Independent public schools			10.0	20.0	20.0	20.0	
MoneySmart Teaching	0.7	0.7	1.1	1.0	1.1	1.3	
More support for students with disabilities	78.7	78.7	81.5	57.7			
National solar schools programme	41.0	20.9	18.0				
School pathways programme	1.9	1.7	1.7	1.3			
Schools security programme	5.5	5.0	5.0	5.7	5.7	5.7	
Smarter schools: teacher quality (b)	231.0	18.0	173.8				
Smarter schools - low SES communities	371.0	362.9	140.9				
Smarter schools: Stronger futures in NT schools (b):							
Additional teachers	32.3	23.5	26.3	27.6	28.1	21.6	22.1
Quality teaching	12.3	12.6	14.5	14.8	14.8	14.8	14.8
Teacher Housing	0.7	1.8	5.1	5.4	6.1	7.4	7.6
School enrolment/attendance		1.9	2.3	2.3	2.2	2.3	2.1
Trade Training Centres in Schools	270.4	181.9	100.3	115.6	52.2		
East Kimberley development package	16.8	4.2					
Rewards for great teachers	31.5	7.6					
Digital education revolution	200.0	200.0					
Empowering local schools	57.2						
Fort Street High noise insulation	3.4						
Investing in focus schools	40.0						
<b>Total</b>	<b>1,541.7</b>	<b>1,082.5</b>	<b>660.5</b>	<b>251.4</b>	<b>130.2</b>	<b>73.1</b>	<b>46.6</b>
government schools	1,161.8	800.7	485.7	172.8	109.1	53.6	32.6
non-government schools	379.9	281.8	174.8	78.6	21.1	19.5	14.0
% government schools	75%	74%	74%	69%	84%	73%	70%

Source: Budget 2014, Paper no. 3, Table 2.5

**Notes:**

(a) Excludes early childhood education funding and DEEWR administered programs

(b) includes government and non-government schools, not separated in Budget papers.  
sector share estimated in this table.

<b>Table S2</b>							
<b>Commonwealth Budget for schools 2014: Schools Support Programs</b>							
<b>Programs (a)</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Grants and Awards	4.0	3.8	3.4	4.0	4.0	4.0	4.1
Quality Outcomes	50.5	50.6	59.1	57.0	50.8	51.3	50.9
Helping Children with Autism	5.4	5.4	4.2	5.6	5.7	5.8	5.9
Broadbanded Enabled Education/online tools	14.9	7.9	6.4	3.2			
National School Chaplaincy Programme	74.0	74.0	70.8	58.8	58.8	58.8	58.8
Maths and Science Participation	0.0	3.1	1.5	5.7	5.3	2.0	1.0
Teach for Australia/teach next	4.3	0.9	5.6	7.3	7.5	3.2	0.9
Flexible Literacy Learning for remote primary schools			4.0	6.0	6.0	6.0	
Improving teaching of foreign languages/asian languages	4.6	0.5	0.0	1.2	0.6		
Endeavour language teaching fellowships		1.4					
One Laptop per child	11.7						
Framework for open learning	2.9	2.6					
ABC digital education		1.3					
National Plan for School Improvement	17.7						
National trade cadetships		3.6					
Indigenous Ranger cadetships	0.9	1.3					
Creative young stars							
<b>Total</b>	<b>190.8</b>	<b>156.4</b>	<b>154.9</b>	<b>148.8</b>	<b>138.7</b>	<b>131.1</b>	<b>121.5</b>
Source: Budget 2014, Department of Education Portfolio Budget Statements. Page 54							
Notes:							
(a) Programs administered directly by Department of Education and, for the Quality Outcomes programs, by the Department of Prime Minister and Cabinet from December 2013							

## APPENDIX TWO

# AUSTRALIAN EDUCATION UNION

## Securing the Revenue Base for High Quality Public Services

# Policy

As adopted at the 2011 Meeting of the  
AEU Annual Federal Conference



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## 1. INTRODUCTION

*A fair and equitable taxation system and adequate and equitable investment in public education and training are central to economic development/prosperity and the creation and maintenance of a fair and equitable society.*

- 1.1 For our future to be fair and equitable for all, it is the responsibility of good governments to foster the social and economic opportunities of all their citizens.
- 1.2 A fair and equitable tax system is essential in allocating resources more fairly, driving policy outcomes by providing financial incentives and disincentives, and in adjusting the budget position towards surplus or deficit as circumstances change.
- 1.3 Strengthening Australia's tax system is essential to meet the challenges facing Australia, including the provision of high quality public services, measures to address issues such as population aging and environment/climate change, and the provision of adequate social and economic infrastructure.

## 2. THE IMPORTANCE OF AN ADEQUATE REVENUE BASE

- 2.1 Properly administered, with a focus on fairly distributing wealth and income, revenue raising is the foundation of a stronger, more sustainable economy and a fairer society. It is a collective investment by Australians in the future of their country.
- 2.2 Without an adequate revenue base, governments are unable to provide essential services and benefits which play a key role in helping create the conditions for responsible economic growth and development, alleviating social and economic disadvantage and maintaining a socially cohesive and fair nation.
- 2.3 The design of the tax system has effects which greatly increase or reduce hardship and inequity. People who are substantially disadvantaged by lack of income or other difficulties are especially vulnerable if the tax system fails to treat them fairly.
- 2.4 Unfair economic development policies and tax structures which favour corporations and the wealthy, and which see the less wealthy pay disproportionate amounts of tax result in a loss of public revenue and jeopardise the revenue base of governments.
- 2.5 Total tax revenue in Australia is low by international standards and as a country we still have major unmet needs in areas such as education, health, aged care, disability services, transport and the significant environmental challenges associated with climate change. The gap between Indigenous and other Australians in almost all social measures has yet to be successfully addressed.
- 2.6 During periods of capitalist recession such as the global financial crisis, tax-payer funded government stimulus measures and bailouts are extended to the private sector. The cost

to the government is increased deficit and public borrowing. Effective taxation and regulation of the corporate and financial sectors are essential.

- 2.7 The global financial crisis has reduced government revenue at a time when governments need to increase expenditure in order to confront the challenges of global warming, economic dislocation and an aging population. Alternative sources of revenue must be sought through measures that ensure that the rich pay their fair share towards the common weal rather than cutting back on social expenditure.
- 2.8 Businesses rely for their success on the skills of their workforce, publicly funded research and infrastructure, and well-developed legal systems and intellectual property regimes. As beneficiaries of these investments, largely funded through public expenditure, businesses should pay their fair share in taxation. For the sake of both equity and efficiency corporate taxes cannot be allowed to go on falling.

### **3. THE NEED FOR INCREASED INVESTMENT IN PUBLIC EDUCATION AND TRAINING**

- 3.1 Investment in public education and training provides a greater return to our economic prosperity than investing in tax cuts and corporate subsidies.
- 3.2 Analysis of the level of public spending on social programs and economic growth in developed countries shows that smart use of tax spending in areas like education and infrastructure has a greater positive impact on economic growth than cutting taxes.
- 3.3 Tax cuts have a negative impact on public programs and undermine our ability to provide taxpayers with quality services and the required investment in public education and training and infrastructure necessary in the modern global economy.
- 3.4 Adequate and equitable investment in public education and training is *the* necessary first step toward building the capacity of schools and TAFEs to deliver excellent outcomes for all students – fundamental to equity and social cohesion – and ensuring the quality of our future workforce and ensuring future economic prosperity.

### **4. PRINCIPLES OF A GOOD TAXATION SYSTEM**

In order to promote sustainable economic and social development and provide benefits for all Australians the tax system must be:

#### **4. 1 Adequate**

- Sufficient in breadth and capacity to fully fund the universal provision of high quality public services, including public education and training, and ensure adequate physical and social infrastructure to meet the needs of all citizens.

## **4.2 Fair/ Equitable**

- Progressive in order to provide for fair redistribution of wealth and income;
- Sufficient to ensure equal opportunity for all citizens, including those with low-incomes and the disadvantaged;
- Recognise gender inequity in pay and retirement incomes and take into account the fact that women are disproportionately represented in low-income groups, that the current system disproportionately taxes those in the lower to middle income brackets in which women are largely concentrated and that women are particularly affected by tax arrangements which unfairly impact on casual and part-time employees.
- Structured to discourage tax avoidance and evasion and ensure that all sectors of the community - business, investors, wage and salary earners and the self-employed - make a fair contribution through the taxation system.

## **4.3 Transparent**

- As transparent and simple as possible and free of distortions, concessions or loopholes which aggravate disparities in income and wealth.

## **4.4 Efficient**

- Administered in a way that ensures general and widespread compliance and confidence in the fairness of its application, and that the costs of enforcing compliance are not unreasonable in relation to the revenue raised.

## **4.5 Sustainable**

- Stable and robust over time to provide for sustainable public investment and other expenditure, with the capacity to adjust that level for future needs (eg. arising from an aging population).
- Designed to encourage socially, economically and ecologically sustainable investment and infrastructure projects, and discourage investment which is destructive, unproductive and aggravates environmental damage.

## 5. POLICY ALTERNATIVES

At any given time there are a number of tax reform proposals which require public discussion and debate. The AEU will use this policy as the basis for developing positions on tax reform proposals as required.

As at January 2011, major proposals include:

### 5.1 Reform of Mining tax

Reform of mining tax was a key recommendation from the Henry Report to strengthen the tax system and meet the challenges facing Australia. The AEU is supportive of a national tax on the use of Australia's mineral resources as a fair and economically efficient way to raise revenue and fund services for the community. Australia's mineral resources are owned by the public and the mining industry receives generous subsidies from government, so it is fair that mining profits will be shared with the public and invested into a sustainable future for all Australians.

### 5.2 Superannuation and Infrastructure Investment

The AEU is supportive of sound social investment strategies such as the use of funds from superannuation and managed funds to fund social and economic infrastructure.

### 5.3 A Global Tax on Financial Transactions

The AEU is supportive of moves towards the regulation of financial institutions in the public interests and a global tax on financial transactions as a progressive means of raising the revenue base to boost infrastructure, education and other important public services.

## 6. SOME DIRECTIONS FOR ACTION

In order to support the policy objectives of legislative and political action to secure and defend the revenue base for high quality public services and help ensure the fairness and adequacy of the tax structure, the AEU and its Branches and Associated Bodies will:

- engage in a process of membership education through journals and other means of communication to inform members about the importance of these issues.
- encourage membership involvement in progressive forums and activities which promote a fairer and more equitable taxation system, with high quality properly resourced public education and training as a priority, including the use of superannuation funds in the provision of infrastructure.
- promote useful resources such as:
  - <http://robinhoodtax.org.au/>
  - <http://www.catalyst.org.au/catalyst/>
  - <http://taxwatch.org.au/home.asp>

- continue to collaborate and campaign with other unions, organisations and community partners committed to high quality well resourced public services for the public good.

## 7. BACKGROUND INFORMATION

### The Influence of Neo-Liberalism

Over the last several decades considerations of the roles of government and taxation in society have been influenced by the domination of neo-liberalism in policy making.

Margaret Thatcher (elected PM of the UK May 1979) and Ronald Reagan (took up office of President of USA in February 1981) successfully established the political/economic concept of ‘small government’ linked with lowered taxation and deregulation.

It became the conventional wisdom that public budgets could not cope with the expansion of social needs, that the private sector was inherently more efficient than the public sector and that ‘economic actors’ should be freed from the yoke of regulation.

In Australia, as elsewhere, this has seen the pursuit of privatisation, deregulation and marketisation and moves to a reduction in the state provision of services such as education and health care and an increased private sector, reforms of public services including the use of PPPs and the selling of publicly owned assets, along with a dismantling of regulations limiting corporate powers.

The capacity of transnational corporations to use their global reach to avoid their responsibility to contribute through fair and responsible taxation to national and community social needs impacts on the capacity of state and national governments to raise sufficient revenue fairly and equitably.

Domination of considerations of the tax system by powerful corporate interests restricts the capacity of Australian Governments to raise the revenue required to meet the community’s needs without harming the economy or imposing a disproportionate share of tax on low and middle income earners.

Constant agitation from the business community for a major reduction in the corporate tax rate on the grounds of the increased integration of global markets associated with globalisation overlook the fact that Australia’s corporate tax rate is not excessively high by international standards and the significant implications it would have for Australia’s revenue base and the delivery of public services in the context of framing future budgets.

The time is now right to reaffirm the vital role of public services in the community and the importance of quality, effective, ethical and adequately resourced public services.

See: ICFTU, *Having their cake and eating it too - The great corporate tax break*, ICFTU Online, 6 July 2006, Brussels [www.icftu.org](http://www.icftu.org)

## The Global Financial Crisis

The global economic crisis highlighted the failure of neo-liberalism and 'free-market' agenda of the last several decades.

Hallmarks of the neo-liberal agenda in the global economy included the encouragement of financial speculation and tax avoidance, reckless deregulation of financial services and less productive investment in the new infrastructure, social services and new industries our society really needs.

Public services, including education and training, healthcare, transport, housing and infrastructure and environment were run down with negative social and economic consequences.

While the Government's economic stimulus initiatives in response to the crisis, including the schools infrastructure funding measures, were welcome, the need for long-term, sustainable investment in public services, including education and training, remains.

## Australia is a Low-Tax Country

National and international research evidence shows that:

- Overall levels of taxation in Australia on personal incomes and on business are not especially high by OECD standards.
- Total tax revenue in Australia is in the bottom-third of all thirty OECD countries. It is at least \$50 billion less than if we matched the OECD average (as a proportion of GDP).
- The level of taxation based on incomes, whether paid by individuals or by corporations, is in the bottom half of all OECD countries.
- The top marginal tax rate and threshold for personal income tax are generous by OECD standards.
- Total tax per dollar earned has fallen by at least 20% for high-earners over the last two decades but there has been little or no decline for lower-earners.
- The proportion of corporate profit which is paid as income tax is lower than for several decades.
- The tax rates on corporate income and on capital gains are not especially high by OECD standards; nor is the overall taxation of business.
- Taxation of goods and services is relatively low by OECD standards, partly because most European countries have a GST rate of 15% or more.
- Australia is one of only four OECD countries without some form of gift or death duty.
- Public support for "social spending" rather than "tax cuts" rose from 25% to 47% over the last decade while the preference for tax cuts fell from 47% to 34%.
- Higher-tax countries tend to achieve better social development and to perform at least as well economically as low-tax countries.
- Tax exemptions and other forms of tax expenditure often escape adequate public scrutiny resulting in substantial waste, unfairness and inefficiency.

Source: TaxWatch online report: *Aspects of the Australian Tax System: A Preliminary Outline* ([www.taxwatch.org.au](http://www.taxwatch.org.au))

## **The Henry Tax Review**

The Henry Review was initiated because the present tax system needs urgent reform.

The Review identifies the loopholes and measures which privilege the wealthy within the Australian tax system. These deprive public revenue of billions of dollars which could be invested in education and training, hospitals and health care, transport, social services, energy and water efficiency initiatives, environmental protection appropriate economic development and other measures which benefit middle- and lower-income Australians not just the highest earners.

The superannuation system is unfair and designed to benefit those with higher incomes. Superannuation tax concessions cost the Federal Budget about as much as age pensions. Housing tax breaks cost at least five times as much as public housing and rent assistance. Yet the dominance of neo-liberal thinking in public policy has seen the continuation of assistance through tax breaks rather than through direct payments which would be much better-targeted and cost effective.

The Government's rejection of most of the Henry Review 138 recommendations is a significant setback to a fiscally responsible national reform agenda and a genuinely sustainable, fair and equitable Australia.

## **Corporate Tax Poll**

In February 2010 Catalyst Australia commissioned a survey of peoples' attitudes towards corporate tax in Australia. It showed that public opinion is firmly on side to close down the system of corporate tax loopholes and measures that primarily benefit big business.

Only one quarter of all government revenue comes from taxes on business and the survey showed that three quarters of people surveyed though business should pay a greater share. There is little public support for measures sought by big business such as a reduction in the rate of corporate tax and increasing the GST.

Half of all people surveyed wanted to see fewer business concessions and deductions which allow the current system where companies can reduce their tax by claiming concessions and deductions which result in half of all companies paying less than 5% tax.

Source: <http://www.catalyst.org.au/catalyst/campaigns/299-tax-reform-2>

## **Use of Superannuation to Fund Infrastructure**

The reluctance of governments to carry the debt required to build social and economic infrastructure, and the justified suspicion many people feel towards private infrastructure projects, where the public bears the costs but any profit is "privatised", have renewed interest in proposals for the use of superannuation funds in the provision of infrastructure.

The growing national pool of retirement savings is already well over \$1 trillion and is on course to be \$3 trillion by the mid-2020s. This is the savings pool that was initiated and achieved by union campaigns in the mid-1980s and supported by Keating Government

legislation in 1992. It could be funding the projects that build our cities and regions, helping them grow in the 21st century.

We need to collectively find ways to allow superannuation to be harnessed to build the infrastructure of Australia's future. This doesn't need to be at the expense of securing a sound retirement benefit for Australian workers: some of the funds can be invested to both build Australia, while at the same time growing members' super accounts.

Source: Ged Kearney, President ACTU, Address to the National Press Club, 6 October 2010