



**Australian Education Union**

**Pre-Budget Submission**  
**to the**  
**Department of Treasury on Priorities for the**  
**2020-2021 Budget**

**24 August 2020**

**Correna Haythorpe**  
Federal President

**Susan Hopgood**  
Federal Secretary

**Australian Education Union**  
Ground Floor, 120 Clarendon Street  
Southbank Vic 3006  
PO Box 1158  
South Melbourne Vic 3205

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

# **Australian Education Union Pre-Budget Submission to the Department of Treasury on Priorities for the 2020-2021 Budget**

---

## **Introduction**

The Australian Education Union (AEU) represents over 194,000 educator members employed in the public primary, secondary, early childhood and TAFE sectors throughout Australia. AEU members in all three sectors are at the frontline of the pandemic in Australia and investment in early childhood education, public schools and TAFE will be essential to Australia's economic recovery. Following the unprecedented educational, societal and economic shock resulting from the COVID-19 pandemic, we welcome the opportunity to again present our views on priorities for the 2020-21 Budget.

This submission supplements the AEU's previous 2020-21 Pre-Budget submission, and focuses on the important and urgent need for investment in public schools, preschools and TAFE for Australia's economic recovery, and the significant ongoing economic and social benefits that such an investment would bring.

Public education is without a doubt the bedrock from which all Australians can secure a better future and the AEU strongly recommends that a significant investment is made in the proper and full funding of public education as a core component of the government's recovery strategy. This submission argues that properly funding and resourcing public education, from the early years through schooling to post-secondary education is essential to fairness, equity, opportunity, security and future prosperity in this country.

## **Schools**

### ***Investment in public schools would have significant lasting economic and equity benefits***

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

The AEU's previous 2020-21 Pre-Budget submission contains evidence demonstrating the impact of the 20% Schooling Resource Standard (SRS) cap on Commonwealth funding to public schools, and details how that cap, in combination with the state and territory funding arrangements set out in the bilateral agreements, results in the total underfunding of public schools reaching \$16.3 billion during this Parliamentary term and \$22.7 billion dollars by the conclusion of the National School Reform Agreement and its associated bilateral agreements in 2023.<sup>1</sup>

In addition to the reductions in SRS outlined above, the five year bilateral agreements include provision for states and territories except the ACT to include "additional expenditure items" such as building depreciation and transport costs within their SRS calculations. These items have never been included in SRS calculations before and are not included in national SRS calculations. This narrows the gap between actual spending and the SRS goals by four percentage points and further reduces the actual effective SRS contribution made by each state or territory. It also undermines the entire concept of the SRS as a benchmark for equitable funding in schools. Over this term of Parliament this "additional expenditure" clause will deprive public school students of an additional \$6.2 billion in recurrent funding. To the conclusion of the agreements in 2023 the total is \$9.0 billion.<sup>2</sup>

The total underfunding from the Commonwealth 20% SRS cap, the bilateral agreements and the additional expenditure clause is \$22.5 billion during this Parliament and \$31.7 billion to the conclusion of the agreements in 2023.<sup>3</sup> The failure of the Commonwealth and state and territory governments to meet the minimum funding standard means that on average every public school in Australia will miss out on \$8,700 per student in funding during this parliament and \$12,400 per student by the conclusion of the National School Reform Agreements in 2023.<sup>4</sup>

### ***Funding shortfalls are the cause of Australia's achievement inequity***

The most recent PISA results demonstrate the growing gap between socio-economically advantaged and disadvantaged students. The 2018 PISA results for Australia reveal that students from low socio-economic status (SES) households are highly segregated from their more advantaged peers and up to three years behind them:

- Australia's isolation index score of 0.20 for disadvantaged students is higher than the OECD average of 0.17 and higher than 51 of the 78 countries and economies included in PISA. This means that disadvantaged students are more concentrated in schools with other disadvantaged students in Australia than in most countries in the OECD.
- Across all domains students from high SES backgrounds performed better than those from low SES backgrounds.

---

<sup>1</sup> Cobbold, T, "Public Schools are Defrauded by Billions Under New Funding Agreements", 2019, retrieved from <http://saveourschools.com.au/funding/public-schools-are-defrauded-by-billions-under-new-funding-agreements/>

<sup>2</sup> AEU calculations from Cobbold, *Op.it* & Australian Bureau of Statistics, 4221.0 – *Schools, Australia, 2018*, retrieved from <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument>

<sup>3</sup> Cobbold, *Op.it*

<sup>4</sup> AEU calculations from Cobbold, *Op.it* & Australian Bureau of Statistics, 4221.0 – *Schools, Australia, 2018*, retrieved from <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument>

- The proportion of students performing highly increased and the proportion of students performing lowly decreased with each increase in SES quartile.
- In science the variance between average scores of highest and lowest SES quartiles was 82 points, with 30 points equivalent to one year of schooling, so the difference is approximately two and three-quarters years of schooling.
- In reading the variance between average scores of highest and lowest SES quartiles was 89 points, with 30 points equivalent to one year of schooling, so the difference is three years of schooling.
- In maths the variance between average scores of highest and lowest SES quartiles was 81 points, with 30 points equivalent to one year of schooling, so the difference is two and two-thirds years of schooling.<sup>5</sup>

An immediate injection of funds to bring all public schools to 100% of SRS is urgently required. An investment such as this will not only assist schools in helping students who may have fallen behind during the recent (and current in Victoria) period of remote learning, but will also bridge the huge equity and achievement gaps between students from high and low SES households.

This investment in Australia's future would also lead to substantially reduced fiscal expenditure and increased tax revenues for many decades to come. A report commissioned by the AEU in 2016 showed that an increase in the average PISA score of 25 points, would deliver huge long term economic benefits through improved skills, life outcomes and a lower requirement for government assistance. The report, by education economist and former World Bank and Department of Foreign Affairs and Trade (DFAT) advisor Adam Rorris, found that such an improvement would result in huge returns, including:

- An average \$65 billion in increased economic benefits each year until 2095, an additional benefit of approximately 5% of GDP
- A future economic benefit of AUD \$5.2 trillion (discounted for inflation) until year 2095 - An economic benefit that is 335% of current GDP
- A GDP level that will be 29% higher in 2095 due to the reform<sup>6</sup>

An investment in recurrent public school funding to achieve 100% of SRS for all public schools and boost achievement not only leads to better life outcomes for individual students but enormous long term benefits to society, the economy and the entire country.

### ***Public school enrolments are growing and capital investment will support this growth and stimulate the economy***

Thousands of public primary and secondary schools across the country are in critical need of infrastructure improvement and yet since 2017 public schools have not had access to Commonwealth funds for capital works.

---

<sup>5</sup> Thompson, S, De Bortoli L, Underwood C & Schmid, M. *PISA 2018, PISA in Brief: Student Performance*, Australian Council for Educational Research, 2019, p.18

<sup>6</sup> Rorris, A., *Australian Schooling – The Price of Failure and Reward for Success*, 2016, p.6 retrieved from <http://www.aeufederal.org.au/application/files/3814/6172/5096/Rorris2016.pdf>

A guaranteed long term federally funded capital works package is required to provide much needed improvements to public schools, and to build new schools in areas of rapid population growth. In addition to providing much needed new classrooms, bathrooms, libraries, heating and cooling and sport facilities, an investment such as this, made when government borrowing is cheaper than ever, would provide a huge amount of stimulus to Australia's construction and manufacturing industries and drive employment.

Total public school enrolments have increased by 263,534 students in the decade to 2018, an increase of 10.3%, with the majority of this increase in primary school enrolments which will soon flow through to all levels of schooling.<sup>7</sup>

- Nearly 200,000 (197,069) of this increase has been in primary school enrolments, whilst Catholic primary school enrolments have fallen by 8,813 students since their 2014 peak.
- This means that the public proportion of total student school enrolments rose from 65.1% to 65.7% from 2014 to 2018, while there has been a notable decline of the proportion of total Catholic school enrolments from 20.5% to 19.7% since 2015.
- Public school enrolments at the junior secondary level have increased by 80,827 from 2014 to 2018, an increase of 13.2%, while junior secondary enrolments in Catholic schools have only increased by 1,789 (0.7%) since 2015.
- Total combined government recurrent funding to Catholic schools has grown 45% faster than for public schools between 2009 and 2017.
- On per student terms recurrent government funding to Catholic schools has grown 79.9% faster than for public schools since 2009.

According to the 2019 school student enrolment figures from the Australian Bureau of Statistics (ABS), public school enrolments have increased again in seven of eight states and territories and teachers in Australia's public schools will be teaching 37,000 more students than last year, and 150,000 more than just five years ago. By comparison, independent schools saw growth of 55,000 students over five years, while Catholic school enrolments have flat lined for many years and only grew by 4,000 students last year.

In addition to improving the capacity of existing public schools, new primary and secondary schools need to be built to accommodate these growing numbers of students. A federally funded school building program will have enormous stimulus value to the economy - it will provide immediate stimulus in terms of the construction and manufacturing required to build new schools, and it will flow on to house building, retail employment growth as communities congregate around these new schools.

Further, particular attention must be given to rural and remote capital works infrastructure, with a particular focus on meeting the aspirations and diverse needs of Aboriginal and Torres Strait Islander students, families and communities living in remote and very remote locations. This requires fully equipped and resourced public education facilities in order to expand educational opportunities and models of delivery. This must include access to secondary provision and vocational education pathways.

---

<sup>7</sup> Australian Bureau of Statistics, 4221.0 – Schools, Australia, 2018, retrieved from <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument>

The AEU has long argued that in order to ameliorate living conditions caused primarily by poverty, better address the challenges of remote education provision, and improve educational outcomes for students in remote communities, the Commonwealth Government (and indeed, state and territory governments) must increase and stabilise the infrastructure of government schools and public education institutions located in remote areas. This support must be substantial and guaranteed over the forward estimates. It must take account of the levels of compound disadvantage experienced by many children and young people living in remote communities and must ensure that sufficient resources are provided, by all levels of government, to public education to help lessen the impact of these compound disadvantages.

***The Budget must provide public schools with the technological capacity to engage disadvantaged and vulnerable students***

During the initial COVID-19 related period of remote learning Federal Education Minister Tehan invoked the impact of remote learning on economically disadvantaged and vulnerable students, stating that it “will be the vulnerable, poor, remote and Indigenous students who suffer the most.”<sup>8</sup> The Minister is correct that an extended period of remote learning under current funding arrangements and without additional and targeted support would have impacted on vulnerable students disproportionately. However, his assertion belies the fact that the Commonwealth Government offered little support for these students, with the sole Commonwealth initiative being to offer only temporary cheaper access to NBN – something of little use without the equipment or skills to access it. Further, as outlined above and in the AEU’s previous 2020-21 Pre-Budget submission and reiterated above, the Commonwealth has for nearly seven years steadfastly ignored the plight of these students by failing to implement the original Gonski funding model and by refusing to lift the arbitrarily imposed 20% cap on Commonwealth contributions to recurrent funding for public schools.

The COVID-19 crisis has starkly revealed the extent to which many students do not have the ICT equipment they need to engage effectively with school. The provision of the equipment needed during remote learning was largely left to individual schools, not for profit organisations and state and territory governments.

The Australian Digital Inclusion Index (ADII) covers three core aspects of inclusion: access, affordability and digital ability. Digital ability includes enthusiasm, confidence and a sense of control when using the internet, as well as experience, skills and knowledge in internet use. Even if the contributions of schools, charities and state governments did ensure adequate access and affordability, vulnerable students need full digital inclusion.

---

<sup>8</sup> Hunter, F, “Experts say half of students at risk from long-term remote learning” *The Sydney Morning Herald*, May 2020, retrieved from <https://www.smh.com.au/politics/federal/experts-say-half-of-students-at-risk-from-long-term-remote-learning-20200502-p54p7m.html>

A recent report extrapolated from 2016 census figures to show that there are approximately 125,000 Australian students who did not have internet access at home (including via mobile devices or games consoles) and that public school students were more than twice as likely as either Catholic or independent school students to have no internet access at home. Further, there were over one million public school students in the bottom third of family incomes and almost 325,000 public school students in very low income families (just over 80% of the total).<sup>9</sup>

For vulnerable students (and their families and carers), this does not happen automatically, even if the students have experience with information and communication technology at school. “Digital Inclusion requires intentional strategies and investments to reduce and eliminate historical, institutional and structural barriers to access and use technology”, according to the US National Digital Inclusion Alliance.<sup>10</sup>

As digital ability, affordability and access is critical to student learning, a full digital equity audit and significant further investment in ICT equipment and internet access for vulnerable and disadvantaged students is urgently needed to bridge the divide. In order to begin to address the lack of digital equity and inclusion in Australia’s public schools, this Budget must, as a first step, fund an extensive digital equity audit of the education system. This audit should be carried out at a national level in order to analyse the level of need and provide evidence for comprehensive action plans. The audit would need to take into account the relationship of COVID-19 related remote learning and ongoing disadvantage caused by a lack of digital inclusion to the achievement of students by multiple categories of analysis including home internet access, family income, remoteness, mobility, family type, English proficiency, disability, housing, Aboriginal and Torres Strait Islander status. It must have the power to recommend to governments strategies and funding approaches for providing additional support to schools including specific measures to support these groups of students. This will help ensure that digitally excluded students receive the same quality education as their advantaged peers who have ready access to the ICT equipment and home environment to support their learning.

### ***Private schools have already received extensive additional Commonwealth support, public schools have received none***

As shown on page 85 of the papers for the Treasurer’s economic and fiscal update in June 2020, the Commonwealth has not yet provided a single dollar of additional assistance to the public school sector in response to the pandemic, and the forward estimates reveal no intention to provide any additional support through to 2023-24.

---

<sup>9</sup> Preston, B., *Digital Inclusion for All Public School Students*, Australian Education Union, 2020, p.9

<sup>10</sup>Thomas, J, Barraket, J, Wilson, CK, Rennie, E, Ewing, S, MacDonald, T, 2019, *Measuring Australia’s Digital Divide: The Australian Digital Inclusion Index 2019*, RMIT University and Swinburne University of Technology, Melbourne, for Telstra, p. 10



**Table 1: Payment measures since the 2019-20 MYEFO<sup>11</sup>**

	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m	2023-24 \$m
<b>EDUCATION, SKILLS AND EMPLOYMENT</b>					
<i>Australian Research Council</i>					
Higher Education Reform — more job ready graduates(b)(c)	-12.5	3.0	4.1	4.2	1.1
<i>Australian Skills Quality Authority</i>					
COVID-19 Response Package — JobTrainer Fund — establishment(c)	-	2.7	4.3	3.2	2.2
<i>Department of Education, Skills and Employment</i>					
COVID-19 Response Package — child care	102.4	206.6	-	-	-
COVID-19 Response Package — higher education(b)(c)	10.9	7.1	-	-	-
COVID-19 Response Package — income support for individuals(b)(c)	14.5	150.2	63.3	32.9	21.6
COVID-19 Response Package — JobSeeker Partner Income Test measure(b)	107.2	420.0	153.0	83.6	56.2
COVID-19 Response Package — JobTrainer Fund — establishment(c)	-	2.1	11.0	13.6	3.9
COVID-19 Response Package — support for non-government schools	1,034.2	-1,034.2	-	-	-
COVID-19 Response Package — supporting apprentices and trainees(c)	360.4	2,390.3	55.6	3.1	-7.0
COVID-19 Response Package — supporting job seekers(c)	51.3	24.9	14.4	-	-
Drought Response, Resilience and Preparedness Plan — further support for farmers and communities in drought(b)	10.0	-	-	-	-
Higher Education Reform — additional support for regional Australia(b)(c)	-	11.9	12.7	14.8	-7.5
Higher Education Reform — more job ready graduates(b)(c)	-3.0	203.9	202.2	-116.6	-321.6
National Bushfire Recovery Fund(c)	4.0	26.2	1.5	0.1	0.1
National Partnership Agreement on Universal Access to Early Childhood Education — extension	-	3.1	2.1	-	-
New Arrangements for the Child Care Subsidy and the Additional Child Care Subsidy	-	-5.6	-5.9	-6.1	-6.5
PaTH Business Placement Partnerships — national industry associations	0.6	0.7	0.7	-	-
School Funding — additional support for students and teachers	-	-	-	-	-
Skills Reform Package(c)	-	17.0	37.8	17.3	26.8
<i>Tertiary Education Quality and Standards Agency</i>					
Higher Education Reform — more job ready graduates(b)(c)	-	3.4	2.8	2.8	2.6
<b>Portfolio total</b>	<b>1,679.9</b>	<b>2,433.3</b>	<b>559.7</b>	<b>52.9</b>	<b>-228.0</b>

<sup>11</sup> Treasury, *Appendix A: Policy Decisions taken since the 2019-20 MYEFO, Economic and Fiscal Update – July 2020*, p.85.



By contrast, and in addition to almost \$10 billion of pre-existing additional funding available to private schools for capital works, for the promotion of school choice and for the adjustment to new measures of socio-economic status over the next decade (above and beyond that allocated through recurrent means) that has allocated since 2017, the private schooling sector has received an immediate increase in funding and funding flexibility from the Commonwealth, including:

- Over \$1 billion in recurrent payments brought forward to help them through the crisis
- An additional \$10 million for hygiene measures
- An additional \$41 million to offset the impact of the recent Direct Measure of Income Bill, on top of the more than \$3 billion already promised over ten years.

The circumstances in which students are engaging school in 2020 are unprecedented. There is currently little quantifiable evidence available about how COVID-19 has impacted on learning to date or how it will impact on future learning.

Urgent investment is needed in Australia's public schools to bridge the huge equity and achievement gaps that already existed between students from high and low SES households pre COVID-19. These gaps are the result of years of recurrent and capital funding shortfalls across the public school system. A bold investment in public school funding, buildings and equipment is urgently needed to achieve an improvement in equity of provision and student achievement that not only leads to better life outcomes for individual students but enormous long term benefits to society, the economy and the entire country.

## **Early Childhood Education**

### ***The Budget presents an opportunity to provide future certainty for preschools, their employees and parents***

The Australian Early Development Census (AEDC) reports that in the decade since the first Universal Access National Partnership (UANP) there has been a significant increase in early childhood education participation, which has directly benefited more than 2 million children and over a million families and contributed to reducing developmental vulnerability of children starting school<sup>12</sup>. Despite this significant improvement, there is still much work to be done.

The OECD's *Education at a Glance 2019* report shows that from 2010-2017 Australia's enrolment rate, measured according to OECD standards, improved from 74% to 84% of 3-5 year olds, but still lags behind the OECD average of 87% which has improved from 82% since 2010.<sup>13</sup> Only 67% of three year olds are enrolled in ECE in Australia, far behind the OECD average of 79%. Only 86% of four year olds are enrolled in ECE in Australia, again lower than the OECD average of 88%.<sup>14</sup> This places Australia squarely in the bottom third of the OECD rankings for both 3 and 4 year old enrolment, behind the top half of OECD countries, all of which have enrolment rates above 90%.<sup>15</sup>

---

<sup>12</sup> AEDC cited in cited <https://www.cela.org.au/2019/09/17/national-partnership-at-risk/>

<sup>13</sup> OECD, *Education at a Glance*, 2019, Table B.2.1

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

An extension of the Universal Access National Partnership (UANP) funding was announced in May 2020 and has now been guaranteed for another single year to 2021. In June 2020 the review of the UANP conducted by the management consultancy Nous Group and commissioned by Education Council was published. Among its key findings was that continual short term renewals (six one year extensions to date) of the agreement have adversely affected the scheme, but that despite the difficulty caused by annual funding uncertainty the UANP has “precipitated a significant increase in participation in quality preschool” with enrolment in 600 hours of preschool in the year before school increasing from 12% in 2008 to 95% in 2018.<sup>16</sup>

The review found that the short term nature of the extension meant that preschools cannot currently plan and invest effectively and that means that “staff cannot be retained due to an inability to promise them longer-term employment, which in turn leads to higher turnover and associated administrative inefficiencies”<sup>17</sup>

In response to these issues the Review made several findings and recommendations in its final report, including that:

- The UANP is considered a major success across the sector and has resulted in a significant increase in participation in quality preschool by children in the year before full-time school.
- Despite significant gains, some children are still missing out. Aboriginal and Torres Strait Islander children and vulnerable and disadvantaged children are overrepresented in this group.
- Australian Government funding and national coordination should continue. There is strong evidence that quality preschool improves educational and other developmental outcomes. A decrease in funding would reduce preschool participation and could adversely affect workforce participation.
- Governments should enter into a new five-year National Partnership from 2021 to 2025, and transition to a National Agreement from 2026 onwards.
- UANP funding is used efficiently, but would benefit from greater certainty to inform planning decisions.
- The UANP has been renewed or extended six times, with the more recent extensions being of a short duration. The Review found that the short-term nature of the UANP has had a debilitating effect on the sector. It has led to cautious decision-making about investment in programs and in staff and has compromised the ability to plan effectively. This has led to an inability to offer staff secure employment which has in turn led to higher turnover.
- Over the next five years, governments should resolve outstanding issues and prepare for more enduring funding arrangements from 2026.
- Key priorities that need to be addressed include lifting attendance and quality, developing robust measures of attendance and child development outcomes, modelling the efficient cost of preschool provision in different settings and contexts, and addressing looming workforce shortages.

---

<sup>16</sup> Nous Group, *UANP Final Review Report*, Education Council, 2020, p1

<sup>17</sup> *Ibid.* p11.

- Non-renewal or a reduction of the Australian Government’s preschool contributions would have significant consequences, including for access and quality. Investment must be continued to maintain.
- A reduction in funding would adversely affect preschool provision and participation, as well as workforce participation. There would be serious consequences for children, parents, the sector and its workforce, and other government programs.<sup>18</sup>

Additionally, the Review report detailed a number of potential immediate and long term educational and economic consequences that would likely arise from failing to guarantee long term pre-school funding through the UANP.

**Table 2: Potential consequences of the Australian Government not renewing preschool funding<sup>19</sup>**

<p><b>The immediate consequences would likely include some or all of the following:</b></p> <ul style="list-style-type: none"> <li>• A weakening of national leadership and stepping away from a unified set of agreed national objectives, and a de-prioritisation of a widely-accepted agenda for early intervention.</li> <li>• A reduction in hours offered to children, including a potential reversion to ‘baseline’ provision of hours in some jurisdictions.</li> <li>• Lower preschool participation, particularly in disadvantaged communities and rural and remote areas.</li> <li>• Closure/ reduced access to government and NFP services, leading to increased use of CBDC programs and increased CCS payments.</li> <li>• Reduced quality and/or increased fees in CBDC-based programs as services seek to compensate for loss of government subsidy towards the cost of an ECT and staff to meet NQF requirements.</li> <li>• The inability of providers in some settings and areas to engage and retain qualified ECTs because of being unable to match conditions in other settings.</li> <li>• Closure of services that are struggling with financial viability.</li> <li>• Job losses due to reductions in hours offered and/ or service closures.</li> </ul>	<p><b>The longer-term consequences may include:</b></p> <ul style="list-style-type: none"> <li>• Declines in school education outcomes, with consequences for employment, labour productivity and competitiveness.</li> <li>• Decline in other indicators of economic and social development, with consequences for social mobility, citizen engagement, equity and the burden on welfare and justice systems.</li> <li>• Reduced parental workforce participation, with impacts on skills supply and economic prosperity.</li> <li>• Discontinuation of work to advance the evidence base.</li> <li>• Significant weakening of national preschool policy development and coordination.</li> <li>• A misalignment with broader trends across the OECD in this area.</li> </ul>
---	--

The AEU has long called on the Commonwealth Government to guarantee ongoing permanent UANP funding for four year olds, and we welcome the key findings of the UANP review that “Australian Government funding and national coordination should continue. There is strong evidence that quality preschool improves educational and other developmental outcomes. A decrease in funding would reduce preschool participation and could adversely affect workforce participation.”, that and “Governments should enter into a new five-year National Partnership from 2021 to 2025, and transition to a National Agreement from 2026 onwards”.<sup>20</sup> We also support the recommendation that “Over the next five years, governments should resolve outstanding issues and prepare for more enduring funding arrangements from 2026”.<sup>21</sup>

<sup>18</sup> *Ibid.* p1

<sup>19</sup> *Ibid.* p4

<sup>20</sup> *Ibid.* p1

<sup>21</sup> *Ibid.* p1

Australia lags behind much of the world when it comes to funding early childhood education. World Bank data<sup>22</sup> shows that in 2015, the vast majority of countries provide two or three years of pre-primary education. While most countries around the world offer their children two years of preschool as standard, Australia is one of only eleven countries to offer a single year early childhood education.

Early childhood education is an area where a small investment can have a huge long term impact. A recent report by Price Waterhouse Coopers<sup>23</sup> has shown that for every dollar invested in early childhood education Australia could receive two dollars back through higher tax revenues, higher wages and productivity and lower spending on welfare and criminal justice. The report concludes that annual investment for Universal Access to early childhood education generates double the invested amount in flow-on benefits to the economy.

This Budget must guarantee five years of funding for four year old preschool to 2026 as recommended in the UANP review report, and must undertake to legislate to make that funding permanent from 2026. Further, the Commonwealth must guarantee three year old preschool funding in the same way.

The AEU calls for 2020-21 Budget to act on the recommendations made in UANP review report and in the independent review of early childhood education and services in Australia, *Lifting Our Game*<sup>24</sup>, with a focus on the following three recommendation as a matter of urgency:

1. Guarantee permanent, adequate funding for Universal Access to 600 hours per year of a quality early childhood education program in the year before school.
2. Promote and support full participation by three- and four-year-olds in quality early childhood education programs, in particular to maximise participation by vulnerable or disadvantaged children.
3. Agree to a new national early childhood education and care workforce strategy to support the recruitment, retention, sustainability and enhanced professionalisation of the workforce, thereby improving service quality and children's outcomes.

The annual total cost of these measures would be around one third of one percent of the total additional Commonwealth spending announced to support the economy in response to COVID-19,<sup>25</sup> and would provide many times that in flow on benefits in employment and increased economic engagement of parents and carers, and improved long term outcomes for children.

---

<sup>22</sup> The World Bank, *Early Childhood Development*, retrieved from <https://www.worldbank.org/en/topic/earlychildhooddevelopment>

<sup>23</sup> The Front Project, *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia*, June 2019, retrieved from [https://www.thefrontproject.org.au/images/downloads/ECO\\_ANALYSIS\\_Full\\_Report.pdf](https://www.thefrontproject.org.au/images/downloads/ECO_ANALYSIS_Full_Report.pdf)

<sup>24</sup> Pascoe, P. & Brennan, D., *Lifting our game: report of the review to achieve educational excellence in Australian schools through early childhood interventions*, Victorian Government, 2017, pp. 12-14.

<sup>25</sup> Australian Government, *Economic Response to the Coronavirus*, retrieved from <https://treasury.gov.au/coronavirus>

## TAFE

### ***TAFE provides huge and ongoing economic benefits and its funding must be restored and guaranteed***

For years prior to the current pandemic, the TAFE sector in Australia has existed in crisis. The Mitchell Institute has recently reported that Australia's total investment in the VET sector is now at its lowest level in real terms since at least 2008,<sup>26</sup> and unless governments act urgently and decisively to restore the gradual and systematic erosion of TAFE funding, its role in the Australian education system is under threat.

Successive Australian governments have failed to address this systemic under-funding, and recent market “reforms” have further damaged TAFE. Even before the current crisis the Productivity Commission has said that the VET sector was a mess, echoing the concerns of all major stakeholders and<sup>27</sup> the Business Council of Australia warns that the residualisation of TAFE will ‘fail to deliver a good long term outcome’. They argue that governments need to define the role of the public provider in order to ‘maintain a sustainable TAFE network across the country’.<sup>28</sup>

The AEU's previous 2020-21 Pre-Budget submission contains extensive detail on the deleterious effect of almost two decades of contestability, marketisation and real terms funding cuts on vocational education in Australia, and we do not intend to present that evidence at length again here.

In this submission we would like to draw the Treasury's attention to a very recent ground-breaking report from the Centre for Future Work at the Australia Institute that provides the first Australia wide analysis of the economic and social benefits of TAFE.<sup>29</sup>

Its key finding is that despite years of significant funding cuts and “policy vandalism”, the TAFE system continues to make a strong and disproportionate economic and social contribution to the Australian economy. The report measures the continuing economic and wider social benefits of Australia's historic investment in TAFE, in terms of higher earnings and productivity for TAFE graduates and the resulting increased tax revenues and profits to employers, the additional economic footprint of TAFE purchasing and supply chains and the fiscal benefit of reduced social assistance and public healthcare expenditure arising from TAFE's contribution to lowering unemployment and supporting a healthier workforce and society.<sup>30</sup>

It finds that despite years of “significant funding pressure and policy vandalism” the TAFE system continues to make a strong and disproportionate economic and social contribution to the Australian economy.

---

<sup>26</sup> Hurley, P., Van Dyke, N., *Australian Investment in Education: Vocational Education and Training*, Mitchell Institute, 2020, p. 3.

<sup>27</sup> Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra p86

<sup>28</sup> Business Council of Australia 2017, *Future-proof: protecting Australians through education and skills*, Melbourne, Business Council of Australia, p. 77.

<sup>29</sup> Pennington, A., *An Investment in Productivity and Inclusion: The Economics and Social Benefits of the TAFE System*, Centre for Future Work at the Australia Institute, 2020

<sup>30</sup> Pennington, *Op. cit.*, p.8.

The annual total economic benefits of Australia's historic investment in the TAFE and the current TAFE trained workforce are shown in the table below.

**Table 3**

<b>TAFE Annual Economic Impact Results</b>	
TAFE Economic Footprint	\$6.1 billion
Higher Earnings and Productivity (Includes Higher Tax Revenues)	\$84.9 billion (\$25 billion)
Fiscal Savings (Social Benefits)	\$1.5 billion
<b>Total Benefit</b>	<b>\$92.5 billion</b>
Total Annual Costs	\$5.7 billion

The total benefit from the accumulated historic investment in the TAFE-trained workforce is estimated at \$92.5 billion annually, approximately 4.5% of Australia's annual GDP. The report identifies these benefits across four streams:

- \$84.9 billion in annual productivity benefits, manifesting as increased earnings for workers and increased profits to employers.
  - This includes \$25 billion in increased incremental tax revenues annually, which alone is more than four times the annual expenditure of all governments on TAFE
- \$6.1 billion from TAFE's additional economic footprint. This includes the purchase of goods and services and supply chain inputs that support a total of 48,000 direct and indirect full time jobs
- \$1.5 billion in reduced social expenses annually. The TAFE system increases employability, thereby lowering unemployment and supporting a healthier workforce and society. An important consequence of this is reduced social assistance of \$1.2 billion and reduced public healthcare expenditures of \$289 million.
- The TAFE system has increased the employability of the population, relative to those without post-school education, resulting in an increase in employment of around 486,000 positions.<sup>31</sup>

Additionally, the Centre for Future Work report finds that the TAFE system underpins a wide range of broader social benefits that are harder to quantify. TAFE promotes stronger economic and labour market outcomes in regional areas and helps 'bridge' access to further education and jobs pathways for 1 at-risk groups of young Australians, including those who have a disability or are of Aboriginal and Torres Strait Islander background..

The annual costs of operating the TAFE system are modest by any measure when compared to its direct and indirect benefits. The estimated combined costs of the TAFE system including government funding for training and administration, employer and student assistance, loans and income support payments, student fees, and employer apprenticeship and traineeship training costs total \$5.7 billion per year - approximately 0.3% of Australia's GDP.

---

<sup>31</sup> Pennington, *Op. cit.*, p.9.

The flow of annual benefits resulting from the present and past investment of the TAFE system exceed the current annual costs of operating that system by a factor of 16 times. However, the report warns that the continuation of these enormous benefits is at risk, and that TAFE has been:

*“[U]ndermined in recent years by reductions in fiscal support for public VET, and the direction of public subsidies towards privatised, market-delivered VET programs and providers. As a result, the flow of economic benefits generated by well-trained, better-paid VET graduates is in jeopardy today. Australia is not replacing its stock of high-quality TAFE graduates – which means that over time that flow of economic benefits will inevitably decline.”<sup>32</sup>*

The Centre for Future Work report concludes that Australia will squander the valuable demonstrated annual economic benefits of investments in TAFE institutes and limit our post-COVID-19 economic reconstruction if we do not act immediately to reinstate the funding and critical role of TAFE. It concludes “that if we want to continue reaping the benefits of a superior productive TAFE-trained workforce, we must repair that damage – and quickly.”<sup>33</sup>

### ***A strong TAFE sector is essential for a recovery***

The Prime Minister has repeatedly stated his aim to get a million people back to work. Therefore it stands to reason that his government should make sure these people are properly qualified and receive those qualifications from a high quality and consistent public provider - TAFE. However, to date the Commonwealth Government’s pandemic response in relation to vocational education has done nothing to recognise the integral part that TAFE must play in Australia’s recovery.

In his address to the National Press Club on 26 May the Prime Minister referred to the “complexity of a vocational educational system that is clunky and unresponsive to skills demand... a funding system marred by inconsistency and incoherence with little accountability” and complained of “a lack of visibility of the quality of providers”. He also said “I’m very interested in investing more in a better system”.<sup>34</sup> What he didn’t acknowledge is that the overwhelming majority of inconsistent, non-accredited and poor quality vocational education in Australia is conducted by a myriad of tiny private, for profit Registered Training Organisations (RTOs). TAFE offers the highest quality of vocational education across all levels of qualification, with nationally accredited programs, long standing industry links, and a highly qualified and experienced workforce of professional teachers and a national network of campus infrastructure. By contrast, the AEU has received reports that many private, for profit RTOs have simply shut their doors in response to the pandemic, abandoning students at the time that they need the greatest support.

---

<sup>32</sup> Pennington, *Op. cit.*, p.8.

<sup>33</sup> Pennington, *Op. cit.*, p.8.

<sup>34</sup> The Hon. Scott Morrison MP, *Transcript, Q7A, National Press Club, ACT 26 May 2020, p.7.*



### ***JobTrainer is short sighted and will provide little lasting benefit***

In contrast to the lifetime of ongoing economic benefit that TAFE provides to individuals and to the economy, the Commonwealth Government's response to the pandemic as expressed through the "JobTrainer" package has been incredibly short sighted. "JobTrainer" provides an additional \$500 million in matched funding from the Commonwealth and state/territory governments for skill sets and other micro credential style short courses, often with no accredited qualifications attached, and has been marketed as a way for people to occupy themselves during the COVID-19 crisis. Beyond this there is little information available on how it will work, what courses will be funded or how providers will be vetted for participation. This short termism shows no willingness on the part of the Commonwealth Government to recognise the importance of TAFE in building a properly skilled and qualified workforce, or of the significant and long standing industry links and substantial infrastructure that TAFE provides.

Similarly, the rush to enrol people in "JobTrainer" funded short courses in conjunction with the simultaneous rush to cut regulations and delay audits in response to the pandemic by the Australian Skills Quality Authority (ASQA), will only serve to encourage private RTOs to cut corners to seek increased profit. This is nothing but a recipe for another roting disaster on the scale of VET-FEE-HELP.

### ***There must be a comprehensive national free TAFE offering***

So far, the Commonwealth Government has relied entirely on state and territory governments to ensure the ongoing viability of TAFEs during this crisis, and the Prime Minister has now stated that future federal contributions will be contingent on state and territory funding. It cannot be left up to states/territories alone to provide additional COVID-19 crisis funds to TAFE. If that is the case some jurisdictions will be protected through significant support packages and others may lose their TAFE sector entirely. While some states and territories, most notably Victoria, have provided significant support to their TAFE institutes, the level of action has been variable across the country. A coordinated plan for federal support to TAFE, to be delivered without ultimatums, is needed to ensure that TAFE institutes are well placed to provide the training needed for the post COVID-19 recovery.

The massive and likely long term impact of COVID-19 on employment, and its disproportionate impact on young people has been well documented. In order to rebuild Australia's economy and workforce a clear and strongly supported national workforce strategy is required. This is particularly important for youth employment.

Apprenticeships offered alongside TAFE qualifications offer a clear pathway from school to a career, unlike those gained through many private RTOs which may offer unaccredited fragments of qualifications and narrow traineeships, often with minimal ongoing support. However, the Mitchell Institute estimates new apprenticeships and traineeships will decline by 30% within two years. This equates to approximately 130,000 fewer new apprentices and trainees from the start of the pandemic to June 2023 (on top of the close to 200,000 already lost since 2013) and cites evidence from previous recessions that shows an amplified relationship between the unemployment rate and apprenticeship and traineeship figures. In the last two recessions, a 5 percentage point increase in the unemployment rate resulted in a

30% decrease in apprenticeship commencements.<sup>35</sup> The additional \$1.5 billion apprentice 50% wage subsidy to employers announced in conjunction with “JobTrainer” on July 16<sup>th</sup> is welcome, but offers no ongoing security to apprentices once they have completed their training. This subsidy should therefore be contingent on apprentices having their employment maintained for at least twelve months from the conclusion of their apprenticeship.

### ***The Commonwealth Government can still act to boost skills, qualifications and employment***

In order to rebuild Australia’s economy and workforce a clear and strongly supported national workforce strategy is required. This is particularly important for youth employment. TAFE qualifications offer a clear pathway from school to a career, unlike those gained through many private RTOs who may offer unaccredited fragments of qualifications, often with minimal ongoing support, and who will see the Commonwealth Government’s drive towards hastily funded and deployed skill sets, coupled with a relaxation of regulation, purely as an opportunity to profit.

A true strategy for workforce renewal can only be achieved through the national support for TAFE, and by making use of TAFE’s longstanding partnerships with industry. It cannot be left to private RTOs to rebuild Australia’s skills base.

This Budget provides a unique opportunity for the Commonwealth to move from the support of its economic response to COVID-19 to the stimulus phase and to guarantee the future of Australia’s TAFEs, and to guarantee a future for the massive ongoing economic and social returns that properly funded public vocational education provides.

The AEU proposes that the Commonwealth Government take the following steps to guide Australia, and particularly young Australians, through the crisis:

- Launch a co-ordinated effort to put TAFE at the forefront of the recovery efforts through immediate increased federal funding support and investment in infrastructure, equipment, staffing and programs;
- Restore the more than \$3 billion funding cut from TAFE and training since 2013;
- Implement targeted support for the public VET provider, guaranteeing a minimum of 70% of all government VET funding to TAFE.

---

<sup>35</sup> Hurley, P., 2020, *The impact of coronavirus on apprentices and trainees*. Mitchell Institute for Education and Health Policy, Victoria University.p.2.

## Conclusion

### *The way forward to recovery*

The revised total amount of \$279 billion spent by the Commonwealth in response to the COVID-19 pandemic has so far focused predominantly on supporting businesses and individuals during a period of time when large parts of the economy have stopped entirely, but the Government's response has not yet entered the stimulus phase. Now, a substantial economic stimulus program is necessary to pull Australia out of its current sharp and unprecedented downturn.

Prior to the pandemic Australia had incredibly low public debt by international standards at around 20% of GDP, while many advanced economies consistently carried net debt loads of over 100% of GDP. Yet even with the additional debt that has and will be accrued to fund *JobSeeker*, *JobKeeper*, *JobMaker* and *JobTrainer*, Australia's net debt reached only 25% in June 2020 and is expected to reach only 36% of GDP in 2021 - still substantially lower than what was carried by most developed nations (including Japan, Italy, France, the U.S, the UK, Canada) and the EU average before any additional spending in relation to COVID-19.<sup>36</sup>

Despite the Treasurer's assertion that "what we borrow today we will have to pay back tomorrow", the Prime Minister's claim that borrowing to stimulate the economy is somehow akin to saving money on building a house and then "borrow[ing] the rest of the money to put a heated swimming pool on the roof"<sup>37</sup> and the frequent claims of those pushing austerity measures, it is widely recognised by economists that government debt is in no way the same as household debt and does not have to be repaid in the same manner. The International Monetary Fund has recently concluded that for advanced economies like Australia, so long as GDP is growing faster than the interest rate, a large public debt is very sustainable. The size of the debt is irrelevant, what matters is the debt service cost, and the current extended period of historically unprecedented low interest rates is the perfect time to borrow to increase Australia's productive capacity.<sup>38</sup>

In the June 2020 economic and fiscal update the Treasurer emphasised that Australia's net debt is significantly below nearly every other advanced economy. 10 year bonds are currently priced at 0.9%, and the annual repayment on debt is \$16.3 billion each year- a 0.8% of GDP debt service cost.

If Australia is to recover and return to growth following the current economic shock, the upcoming 2020-21 Budget will have to provide very significant stimulus. This stimulus should be targeted where it can have the most immediate and long term impact. It is abundantly clear that now is the time to invest in public education. The benefits of such an investment, as we have outlined throughout this submission, would return many times the initial cost over the long term and would almost certainly encourage GDP growth in excess of the ongoing debt servicing cost on an annual basis.

---

<sup>36</sup> Dawson, E. & Lloyd-Cape, M., *Some Facts about Debt: A Per Capita Discussion Paper*, 2020, p. 5.

<sup>37</sup> The Hon. Scott Morrison MP, *Transcript, Q7A, National Press Club, ACT 26 May 2020*, p.9.

<sup>38</sup> Dawson, E. & Lloyd-Cape, M, *Op. cit.* p. 8.

Public schools are chronically starved of the necessary recurrent funding and thousands of schools across the country are in critical need of infrastructure improvement, TAFE has been proven to return enormous productivity benefits and fiscal savings but has been abandoned in favour of fly by night private provision, and preschools have been subject to funding uncertainty year after year despite overwhelming evidence of the efficacy of early childhood education.

This Budget presents a unique and historic opportunity to drive Australia's recovery through investment in public education by:

- Lifting the 20% cap on Commonwealth contributions to public schools and funding all public schools to 100% of the Schooling Resource Standard to increase equity and achievement and to provide over \$60 billion in ongoing annual benefit
- Implementing a significant program of capital works, ongoing maintenance and new school building for public schools to accommodate enrolment growth and provide deep stimulus to manufacturing, construction and dozens of other industries throughout the economy
- Restoring the billions of dollars cut from TAFE since 2013 and restoring it to the centre of the youth training and employment strategy to protect the \$92.5 billion in economic benefits it provides each year
- Provide guaranteed ongoing funding to preschool for four year olds and extend this offering to three year olds nationally to further increase participation, to give children the best start in education, to provide educators with confidence in the system and to encourage parents back to work.