Pre-Budget submission to the Department of Treasury on priorities for the 2022-23 Budget

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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 have been 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 experienced over the last two years, we welcome the opportunity to again present our views on priorities for the 2022-23 Budget.

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 public education. This submission makes the case that properly funding and resourcing public education, from the early years through schooling to post-secondary education is essential to fairness, equity, opportunity and security in this country.

Schools

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

The AEU strongly urges the Commonwealth to use the 2022-23 Budget to provide the recurrent funding necessary to ensure ongoing staffing and resources for the delivery of intensive learning and support programs for students. This will require the Commonwealth immediately providing the funding required to achieve 100% Schooling Resource Standard (SRS) Funding for all Public Schools. It will also require the Commonwealth to engage with the states/territories to ensure that they provide the full investment needed to reach the full SRS.

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

COVID-19 has increased educational inequity across all areas of disadvantage

In early 2020 the Mitchell Institute produced a paper for the Commonwealth Department of Education, Skills and Employment titled *Impact of learning from home on educational outcomes for disadvantaged children.*[1] In this paper five key basic resource gaps were identified as those that must be addressed in order to not exacerbate inequity during remote and disrupted learning. The five key resource gaps are:

1. The gaps in basic resources of families needed to support home learning—the material divide which sees around one in six children in Australia live in low income households where life's basics are hard to come by and where students may not have access to books, learning materials or other resources that support learning.

2. The gaps in Information and Communications Technology (ICT) resources and knowhow—the digital divide as described in detail in this submission above.

3. Students not equally equipped personally for home learning—the skills and dispositions divide experienced by many students who do not have the high levels of motivation, resilience or perseverance required for successful online learning. These students are mostly those with lower level reading and language skills and students from disadvantaged households.

4. Some parents not well prepared and not able to manage or cope—the parental support divide. Students from low Socio-Educational Status (SES) households were more than twice as likely as students from high SES households to report that they don't work with their parents on their schoolwork.

   As the Mitchell insisted notes: "This doesn't mean that all parents don't want to help and support their children in their schooling, particularly during this period. It simply means that not all parents are equally well placed to do so, or feel well placed to do so. This may be particularly true for parents of children with special needs who often rely on schools to deliver the adjustments that are needed to promote learning, or for parents who do not speak English or have weak English language skills and are uncertain how to assist."[2]

5. Learning adjustments schools use for some students are not suited to home learning arrangements—the adjustments divide. Many students access a wide range of supports at school including "breakfast programs, cultural enrichment experiences, reduced class sizes, personalised learning plans, and targeted teaching strategies through to intensive one on one programs such as Reading Recovery and personal care support." By their very nature, many of these adjustments cannot work, or cannot work as effectively, in a remote learning situation.[3]

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[1] Mitchell Institute, *Impact of learning from home on educational outcomes for disadvantaged children*, 2020, retrieved from https://www.vu.edu.au/sites/default/files/impact-of-learning-from-home-federal-government-brief-mitchell-institute.pdf

[2] Mitchell Institute, *Ibid,* p.3

[3] Mitchell Institute, *Ibid,* p.8

The emergence and rapid surge of the Omicron variant of COVID-19 has, with one week now remaining to the start of the 2022 school year, left public schools in an incredibly precarious position.

The AEU has repeatedly called for a clear national plan that includes:

- Guidelines for the reopening of schools, accommodating the various needs of each state and territory where required,
- Priority access to RATs and PCR tests, with clear and consistent testing, tracking and isolating protocols and procedures to manage staff shortages, and
- Identification of and funding for infrastructure required to allow schools to accommodate social distancing, hygiene, ventilation and any other public health measures to prevent the spread of the virus.[4]

The repeated failure of the Commonwealth and of National Cabinet to deliver such a plan is likely to result in grave and unprecedented teacher and workforce shortages, exacerbated by a delayed vaccine rollout for primary school students, a lack of access to regular Rapid Antigen and PCR testing and the inadequate and patchy provision of air filtration systems in public school classrooms.

All this is very likely to lead to future instances of remote learning at the school and state levels combined with the possibility of school closures due to a high number of staff unwell or isolating and numerous potential combinations of the two. Public schools systems urgently need additional resource to be able to adequately anticipate and deal with these scenarios. At the same time, schools must be funded to address the loss of learning already incurred by students, particularly those from disadvantaged households, during the extended periods of remote learning throughout 2020 and 2021.

A bold investment in public school funding, buildings and equipment is urgently needed to mitigate the risk of further educational inequity caused by COVID-19 disruptions to learning and 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.

Entrenched public school funding shortfalls must be addressed

Changes to Commonwealth funding arrangements for education contained in the *Australian Education Act* amended in 2017 dismantled the co-ordinated needs-based approach to schools funding initiated by the *Australian Education Act 2013*, and in the four years since the *amendment* there has been further destruction of the original aims and focus of the 2013 Act. The $3.4 billion of additional funding to private schools over ten years from 2020 to deal with the transition to the Direct Measure of Income in the Calculation of parental capacity to contribute, coupled with the euphemistically named $1.2 billion "Choice and Affordability Fund, both announced in September 2018 demonstrate that the Government's current funding priorities are neither needs based nor sector blind. In addition, the failure of the Commonwealth to honour signed National Education Reform Agreements (NERA) with the states and territories has resulted in public schools not receiving $1.9 billion of funds that were expected under these agreements in 2018 and 2019. This was the first part of an estimated $14 billion of funds previously promised to public schools over the decade from 2018 that will now, under the new National School Reform Agreements, not be provided.

[4] AEU Federal Office, Media Release, 13th January 2022, retrieved from https://www.aeufederal.org.au/news-media/media-releases/2022/january/130122

Changes to state and federal funding of schools resulting from the bi-lateral National School Reform Agreements (NSRAs) signed between the various states and territory governments and the Commonwealth in 2018 and 2019 further entrench funding inequality. The result of these agreements is that only 1.3% of public schools will receive funding which meets the SRS from combined State/Territory and Commonwealth Government contributions by 2023 compared to over 90% of private schools.[5]

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

The Organisation for Economic Development's (OECD) *Education at a Glance 2020* accurately conveys this view when it says:

> *Giving everyone a fair chance to obtain a high-quality education is a fundamental part of the social contract. To improve social mobility and socio-economic outcomes, it is critically important to eliminate inequalities in educational opportunities. ……Higher levels of educational attainment are associated with several positive economic and social outcomes for individuals. Highly educated individuals are more socially engaged and have higher employment rates and higher relative earnings.*[6]

In light of the proven positive correlation between equity in education and a broad range of social indicators, it is imperative that the Commonwealth Government ensures that public schools are guaranteed funding at a minimum of 100% of the SRS. It is important to recognise that the SRS was devised as the minimum funding amount required for schools to have 80% of students achieving at the national standard - it is the bare minimum required, not an aspirational target.[7]

A recent report from education economist and former World Bank and Department of Foreign Affairs and Trade (DFAT) Advisor Adam Rorris uses the Department of Education, Skills and Employment's (DESE) own SRS and enrolment growth projections[8] to quantify the impact that failing to meet this minimum standard has on schools and on individual students. The impact of the 20% SRS cap on Commonwealth funding to public schools, in combination with the state and territory funding arrangements set out in the bilateral agreements, means that in no state or territory except the ACT will public schools meet the minimum SRS requirements by 2023. The DESE data in table 1 shows that for 2022 and 2023 (the last year of the current National School Reform Agreement and its associated bilateral agreements) the total underfunding of public schools will be $9.2 billion dollars.[9] At

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[5] AEU internal analysis of NSRA bi-lateral agreements 2018-19, retrieved from https://www.education.gov.au/national-school-reform-agreement-0

[6] OECD (2020), *Education at a Glance 2020: OECD Indicators*, OECD Publishing, Paris. p. 38

7 Rorris, A., *The Schooling Resource Standard in Australia 2020-23: Impact on Public Schools*, 2020,
, p.1, retrieved from
http://www.aeufederal.org.au/application/files/5016/0393/4220/The_Schooling_Resource_Standard_in_Australia.pdf

Commonwealth resourcing and SRS values – Senate Standing Committees on Education and Employment QUESTION ON NOTICE Additional Estimates 2019 – 2020 Outcome: Schools Department of Education, Skills and Employment Question. No. SQ20-000151. & Senate Standing Committees on Education and Employment, QUESTION ON NOTICE, Additional Estimates 2019 – 2020, Outcome: Schools, Department of Education, Skills and Employment. Question No. SQ20-000156, Projections for enrolments in schools.

[9] Rorris, *Op. cit.,* p6

the same time, private schools will receive government funding over and above 100% of the SRS totalling nearly $1.4 billion dollars. From 2020 to 2023 the total recurrent funding shortfall for public schools will total $19 billion.

Table 1. Annual Public Funding for Schools – Above or Below School Resourcing Standard (SRS)[10]

	2022	2023	Cumulative Total
Public	**-$4,714,517,971**	**-$4,514,714,035**	**-$9,229,232,006**
NSW	-$1,353,904,646	-$1,275,297,677	**-$2,629,202,323**
VIC	-$1,332,984,043	-$1,238,814,907	**-$2,571,798,950**
QLD	-$1,262,016,499	-$1,264,523,232	**-$2,526,539,731**
SA	-$206,976,911	-$188,790,247	**-$395,767,158**
WA	-$327,208,168	-$288,544,182	**-$615,752,350**
TAS	-$71,955,975	-$70,271,426	**-$142,227,401**
ACT	$25,435,688	$ -	$25,435,688
NT	-$184,907,417	-$188,472,363	**-$373,379,780**
Private	**$602,479,656**	**$791,573,805**	**$1,394,053,461**
NSW	$300,768,987	$366,880,256	$667,649,243
VIC	$53,868,192	$118,362,025	$172,230,217
QLD	$161,675,842	$180,181,271	$341,857,113
SA	$13,322,822	$31,483,097	$44,805,919
WA	$58,681,535	$75,726,901	$134,408,436
TAS	$2,795,207	$7,081,927	$9,877,134
ACT	$21,350,778	$17,715,928	$39,066,706
NT	-$9,983,707	-$5,857,601	**-$15,841,308**

Note: Red numbers indicate where combined public funding is below SRS minimum funding level. Black numbers indicate where combined public funding is above SRS minimum funding level.

As shown in table 2, below, private schools in all states and the ACT will be funded above 100% of the SRS on a per student basis by 2023. This is in stark contrast with table 3, also below, which shows that in all jurisdictions (except for the ACT) public school systems will be underfunded by more than $1,000 per student by 2022 and 2023. The greatest under-funding per student occurs in the Northern Territory (more than $6,000) and in QLD (more than $2,000 per student).

Table 2. SRS Funding for Private Schools is above SRS levels by 2022, Per Student[11]

	2018	2019	2020	2021	2022	2023
NSW	$ 278	$ 290	$ 76	$ 243	$ 678	$ 816
VIC	-$ 353	-$ 292	-$ 493	-$ 283	$ 145	$ 315
QLD	$ 9	$ 36	-$ 110	$ 32	$ 552	$ 606
SA	-$ 587	-$ 496	-$ 593	-$ 371	$ 136	$ 318
WA	$ 123	$ 167	-$ 580	-$ 338	$ 415	$ 532
TAS	-$ 552	-$ 466	-$ 616	-$ 402	$ 108	$ 270
ACT	$ 3,258	$ 2,911	$ 862	$ 762	$ 720	$ 587
NT	-$ 3,399	-$3,023	-$2,727	-$2,216	-$969	-$575

Note: Red numbers indicate where combined public funding is below SRS minimum funding level. Black numbers indicate where combined public funding is above SRS minimum funding level

[10] Rorris, *Ibid.*, p6
[11] Rorris, *Ibid., p.6*

Table 3. .**Underfunding of Public Schools - Per Student Spending Below the Minimum School Resourcing Standard**[12]

	2018	2019	2020	2021	2022	2023
NSW	-$ 1,885	-$ 1,873	-$ 1,815	-$ 1,737	-$ 1,633	-$ 1,525
VIC	-$ 2,400	-$ 2,372	-$ 2,285	-$ 2,162	-$ 1,991	-$ 1,819
QLD	-$ 2,127	-$ 2,141	-$ 2,152	-$ 2,164	-$ 2,155	-$ 2,147
SA	-$ 1,443	-$ 1,384	-$ 1,303	-$ 1,209	-$ 1,147	-$ 1,040
WA	-$ 44	-$ 533	-$ 922	-$ 1,167	-$ 1,102	-$ 965
TAS	-$ 1,373	-$ 1,367	-$ 1,335	-$ 1,313	-$ 1,268	-$ 1,241
ACT	$ 1,256	$ 1,108	$ 930	$ 752	$ 544	$ -
NT	-$ 5,788	-$ 5,932	-$ 5,973	-$ 5,972	-$ 6,125	-$ 6,264

Note: Red cells indicate where combined public funding is below SRS minimum funding level. White cells where combined public funding is above SRS minimum funding level.

In addition to the SRS shortfalls 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 for public schools only. These items have never previously been included in SRS calculations 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, and amounts to a separate capital depreciation tax levied only on public schools. As Rorris notes:

> *The effect of the 'capital depreciation charge' is to apply a segregated rort against public schools. It harms public schools primarily in that it allows state/territory governments to effectively reduce their cash allocations for public schools, by inserting into their 'contributions' towards the SRS the entirely notional figure for capital depreciation. This is an accrual based allocation that does not touch the side of any real classroom or school. It is in effect a capital depreciation tax.*
>
> *The injustice of the 'capital depreciation tax' is magnified because it is only and arbitrarily applied to public schools. No such 'capital depreciation tax' is applied to the private sector. Nor are the private schools apportioned (based on their enrolment size) a share of the public costs associated with authorities responsible for education standards and curriculum.*[13]

To the conclusion of the bi-lateral agreements in 2023 the 'segregated rort' of the "additional expenditure" clause will deprive public school students of an additional $7.9 billion in recurrent funding – every public school student will be deprived of a minimum of $760 a year by 2023.

[12] Rorris, *Ibid.* p.7
[13] Rorris, *Ibid.,* p.8

Table 4. Capital Depreciation Allowance – amount of funds deprived per public school student[14]

State	2018	2019	2020	2021	2022	2023
NSW	$ 663	$ 690	$ 715	$ 737	$ 759	$ 784
VIC	$ 640	$ 669	$ 693	$ 714	$ 736	$ 760
QLD	$ 673	$ 700	$ 727	$ 750	$ 774	$ 800
SA	$ 687	$ 719	$ 745	$ 768	$ 805	$ 832
WA	$ 653	$ 679	$ 704	$ 725	$ 747	$ 772
TAS	$ 707	$ 735	$ 762	$ 786	$ 811	$ 839
ACT	$ -	$ -	$ -	$ -	$ -	$ -
NT	$ 1,087	$ 1,135	$ 1,177	$ 1,213	$ 1,250	$ 1,292

The total underfunding from the Commonwealth 20% SRS cap, the bilateral agreements and the additional expenditure clause is $6.7 billion every year and $26.9 billion to the conclusion of the agreements in 2023.[15] This 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 at least $1600 in funding each year to 2023, a minimum of $6,500 per student by the conclusion of the National School Reform Agreements in 2023.[16]

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.
- 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.[17]

[14] Rorris, *Ibid.,* p.9
[15] Rorris, *Ibid.,* p.9
[16] Rorris, *Ibid.,* p.9
[17] Thompson, S, De Bortoli L, Underwood C & Schmid, M. *PISA 2018, PISA in Brief: Student Performance*, Australian Council for Educational Research, 2019, p.18

The 2019 Trends in International Maths and Science Study (TIMSS) results present an identical picture of the progress of Australia's students being held back by socio-economic inequity. In terms of international benchmarking, between 68% and 78% of Australian students achieved the TIMSS Intermediate international benchmark– the nationally agreed proficient standard – compared to more than 90% of students in the highest achieving country, Singapore.[18]

PISA 2018 reported slight increases in mean scores across the entire student cohort, however these were mainly due to an increase in the proportion of high performing students rather than the results of improvement across the board. There has been no improvement in the proportion of low performing students since 2015. TIMSS shows that the gaps between high and low performing students have widened, and students of low socio-economic status, Aboriginal and Torres Strait Islanders students and students in remote schools are significantly overrepresented among low achieving students and those who do not meet proficiency benchmarks, demonstrating the continued social stratification of school education in Australia.

In terms of student equity, it is clear that socio-economic status, Aboriginal and Torres Strait Islander Status and remoteness have a significant impact on whether benchmarks are met. The results also show that although there have been some modest improvements, these have not occurred at a rate that will close the still substantial and intractable gaps. Dr Sue Thompson, Deputy CEO of ACER, who wrote the TIMSS 2019 report, noted that:

> *However, as always, we need to note that these results are not uniform, and that there is still a solid tail of underachievement that needs to be addressed. Acknowledging that the primary underlying factor behind poor achievement is socioeconomic background, and finding ways of redressing the imbalance in opportunities and resources available to these students, will help lift achievement for all Australian students.* [19]

Public education is a public good and the availability of a comprehensive education available to all benefits the whole of society. Public education provides lifelong benefits through improved health, wellbeing and employment options, improves society by increasing equity and social cohesion and provides a myriad of economic benefits in terms increased productivity and economic activity. The Alice Springs (Mparntwe) Declaration states "Education has the power to transform lives. It supports young people to realise their potential by providing skills they need to participate in the economy and in society, and contributing to every aspect of their wellbeing" and that "education plays a vital role in promoting the intellectual, physical, social, emotional, moral, spiritual and aesthetic development and wellbeing of young Australians, and in ensuring the nation's ongoing economic prosperity and social cohesion." [20] In order to fulfil this fundamental purpose and to nurture students to develop these skills it is absolutely necessary that public schools have adequate resources to hire and retain teachers in the profession and to maintain comprehensive and specialist learning programs.

In order to address this socio-economic segregation an immediate injection of funds to bring all public schools to a minimum of 100% of SRS is urgently required. An investment such as this will not only assist schools in helping students who may have experienced learning

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[18] Thomson, S., Wernert, N., Rodrigues, S., & O'Grady, E. (2020). *TIMSS 2019 Australia. Volume I: Student performance*. Australian Council for Educational Research. p.xvi

[19] ACER, Press release, 8/12/2020, retrieved from https://www.acer.org/au/discover/article/australia-lifts-its-performance-on-global-mathematics-and-science-test

[20] https://docs.education.gov.au/documents/alice-springs-mparntwe-education-declaration

difficulties in the extraordinary circumstances posed by 2020 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 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[21]

An investment in recurrent public school funding to achieve 100% of SRS for all public schools would have the immediate effect of reducing class sizes, giving teachers more time to teach and boosting achievement. This in turn leads to better life outcomes for individual students but enormous long term benefits to society, the economy and the entire country.

The Budget must provide public schools with the technological capacity to engage students who are vulnerable or experience disadvantage

During the initial COVID-19 related period of remote learning in early 2020 then Federal Education Minister Tehan invoked the impact of remote learning on students who are economically disadvantaged and vulnerable, stating that it "will be the vulnerable, poor, remote and Indigenous students who suffer the most."[22] The Minister was correct that an extended period of remote learning under current funding arrangements and without additional and targeted support has impacted on vulnerable students disproportionally. 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. As outlined in the AEU's previous 2020-21 Pre-Budget submission and reiterated above, the Commonwealth has for more than eight 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 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 which includes enthusiasm, confidence and a sense of control when using the internet, as well as experience, skills and knowledge in internet use.

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[21] 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

[22] 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

For vulnerable students (and their families and carers), digital inclusion 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.[23]

A 2020 report showed that there are approximately 125,000 Australian students who do 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 are 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).[24]

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 students who are vulnerable and disadvantaged is urgently needed to identify the unmet need and 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 education and access needed to level the playing field with their advantaged peers who have ready access to the ICT equipment and home environment to support their learning.

The circumstances in which students engaged in school in 2020 and 2021 were unprecedented, and the start of the 2022 school year will likely occur at the very peak of COVID infections among school staff and students. Investment in schools in the form of recurrent funding to meet the full SRS, a timely and widespread infrastructure improvement program and a thorough digital equity audit with a commitment to act on its findings will enable 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.

Students with disability need more support and more consistent support

Almost 70% of students with disability attend public schools[25], which work extremely hard to ensure that issues such as access, specialist support, and health and wellbeing are appropriate so that they can learn in a safe environment, but the stark reality is that this requires a significant increase in investment, and while the number of students eligible for disability loading continues to grow, the total per student amounts of available funding are in decline.

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[23]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

[24] Preston, B., *Digital Inclusion for All Public School Students,* Australian Education Union, 2020, p.9

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

The publication of the NCCD in 2018 and the application of the four new adjustment levels and three new funding loadings has exposed the huge difference between the numbers of students that schools currently are funded to support and the number they actually have to provide assistance to.

The AEU's 2021 State of our Schools survey of public-school teachers, principals and education support staff found:

- 83% of all principals say they do not have sufficient resources to appropriately meet the needs of students with disability at their school.
- 89% of principals use funds from other budget areas to cover funding shortfalls for students with disability at an average of $101,000 per year.
- 64% of principals say that students with disability or learning difficulties would benefit the most from funding schools to 100 per cent of the Schooling Resource Standard (SRS).
- 87% of principals say that teachers would benefit most from additional classroom support when teaching students with disability or learning difficulties with 100 per cent of SRS.

The Australian Institute for Health and Welfare says:

- Most school students with disability (57%) receive support at school, though not all students with disability who need support with their education receive it.
- One in 10 school students who need support do not receive it and 1 in 5 who receive support need more.
- In total, that means at least 31% of students are receiving no support, or not enough, support

As outlined above, there are four categories of disability loading applied to the base SRS. However, the "Quality Differentiated Teaching Practice" category carries no additional funding loading, thus actually reduces the amount of funding available to schools to make adjustments for students with disability.

Table 5: 2021 Students with disability loading by NCCD level of adjustment

	SRS funding amount in 2021	Supplementary	Substantial	Extensive
Primary student	$12,099	42% ($5,082)	146% ($17,665)	312% ($37,749)
Secondary student	$15,204	33% ($5,017)	116% ($17,637)	248% ($37,706)

Note: The table shows the 2021 amounts under the full SRS and does not take into account a school's transition arrangements to consistent Commonwealth shares of the SRS.

Data gathered by the AEU through Freedom of Information requests at the introduction of the NCCD in 2018 shows that the impact of the switch to incremental adjustment levels does not impact on children in all states equally, and the jurisdictions with the lowest overall attainment levels are the worst hit. In that single year, with the change in loading application, Tasmania incurred funding cuts of 46% from $18 million to $9.7 million, and the Northern

Territory a 36% cut from $26.7 million to $17.2 million as a result of the shift to NCCD based loadings.[26]

In total, five states and territories had their funding for students with disabilities reduced by $31 million from 2017 to 2018 as a result of the shift to the NCCD based loading.

In 2020, there were 546,000 public students with disability including 178,000 (32.9% of all public school students with disability and 6.8% of all public school students) who were categorised within the "Support within Quality Differentiated Teaching Practice" disability group and thus received no additional disability loading.

We note that the 2021-22 Mid-Year Economic and Fiscal Outlook provided an additional $2 billion for private schools over the forward estimates "reflecting increased student enrolments and support of needs-based disability loading"[27] but provided no additional funding for public schools despite the clearly evident greater need.

The 2022-23 Budget needs to urgently address this lack of additional funding support for these 546,000 students and ensure that the current lack of additional loading for the Quality Differentiated Teaching Practice category of disability is reassessed in recognition of the additional funds and specialist support that students, teachers and school leaders urgently need to support students with disability.

Investment in students and teachers is needed to close the gap for Aboriginal and Torres Strait Islander students

The 2021-22 Federal Budget contained $59.5 million over two years for the children and schooling component of the Northern Territory Remote Aboriginal Investment, however, this is a drop in the ocean compared to what is need to close the gap.

The 2021 NAPLAN report shows that there has been no improvement for First Nations students in the past five years. Shockingly, achievement gaps between Aboriginal and Torres Strait Islander students and non-Indigenous students in reading, writing and numeracy remain in the range of 60-85 points across all year levels – a gap of between two and three years of schooling.

The AEU calls for the 2022-23 Budget to expand on the initiatives included in the Closing the Gap Implementation Plan announced in August 2021 and offer a substantive and long term program of additional investment to ensure that access to quality early childhood education, school and beyond school pathways for all Aboriginal and Torres Strait Islander students, with a focus on closing the gaps in student achievement. In particular, a significant additional investment is needed to address the dire and entrenched under resourcing to support Aboriginal and Torres Strait Islander students with disability.

Finally, the AEU recommends that in the 2022-23 Budget the Commonwealth instate a comprehensive Aboriginal and Torres Strait Islander teaching workforce strategy that builds on the outcomes of the highly effective and successful but discontinued More Aboriginal and Torres Strait Islander Teachers Initiative (MATSITI).

[26] AEU, *Fair Funding Now! Delivering fair and equitable funding to public education* (2018), p.25.
[27] Department of the Treasury, *Mid-Year Economic and Fiscal Outlook 2021-22,* retrieved from https://budget.gov.au/2021-22/content/myefo/download/myefo-2021-22.pdf p. 60

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.

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 334,505 students from 2009 to 2020, an increase of 14.6%, with the majority of this increase in primary school enrolments which will soon flow through to all levels of schooling.[28]

- 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 2013 to 2019, while there has been a notable decline of the proportion of total Catholic school enrolments from 20.5% to 19.5% since 2015.
- Public school enrolments at the junior secondary level have increased by 80,827 from 2014 to 2019, 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 since 2009.
- On per student terms recurrent government funding to Catholic schools has grown 79.9% faster than for public schools since 2009.

According to the 2020 school student enrolment figures from the Australian Bureau of Statistics (ABS), public school enrolments have increased again in six of eight states and territories and teachers in Australia's public schools will be teaching 34,000 more students than in 2019, and 145,000 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 11,000 students in the last five years.

Capital investment in public schools would fund Australia's future

The AEU has recently commissioned a report on the long term failure of Commonwealth, State and Territory governments to adequately fund capital works for public schools. That report, Investing in Schools = Funding the Future provides analysis of a decade's worth of data on the lack of capital investment in public schools, the overwhelming preference for capital investment in private schools and details the huge economic and societal returns that proper investment could deliver.

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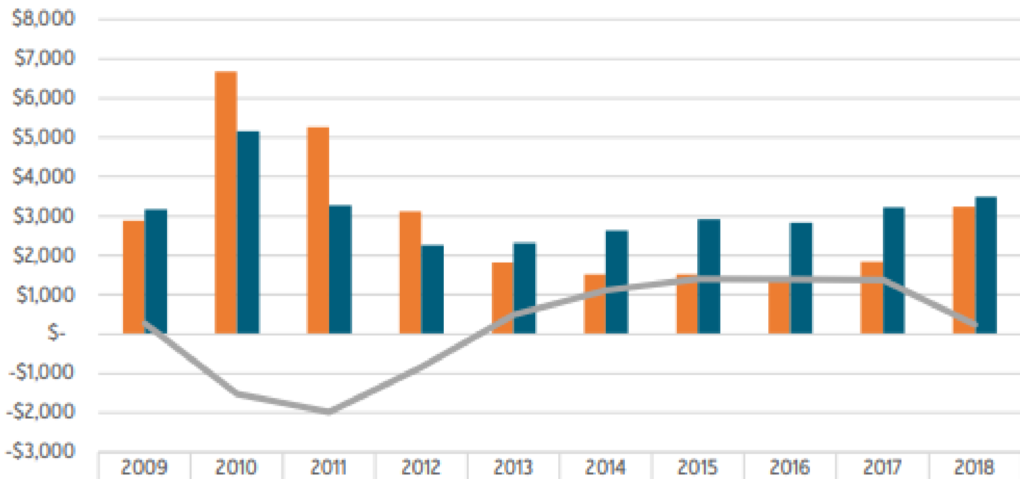
[28] https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/national-report-on-schooling-in-australia-data-portal/student-numbers#View3 & Australian Bureau of Statistics, *4221.0 – Schools, Australia, 2020,* retrieved from https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument

Drawing on OECD research, the report concludes that capital investment in the Australian public schools in the lowest SES quintile (accompanied by targeted increases in recurrent spending for students-at risk of not attaining minimum learning outcomes) could help generate approximately $5.2 billion every year over more than 80 years. More than $100 billion in economic benefits could be generated within 20 years.[29]

A public school capital investment program of approximately $3.8 billion is recommended by the report, which finds that using ABS data for the construction industry average investment cost per job, such a program would sustain more than 37,000 additional construction industry jobs every year.

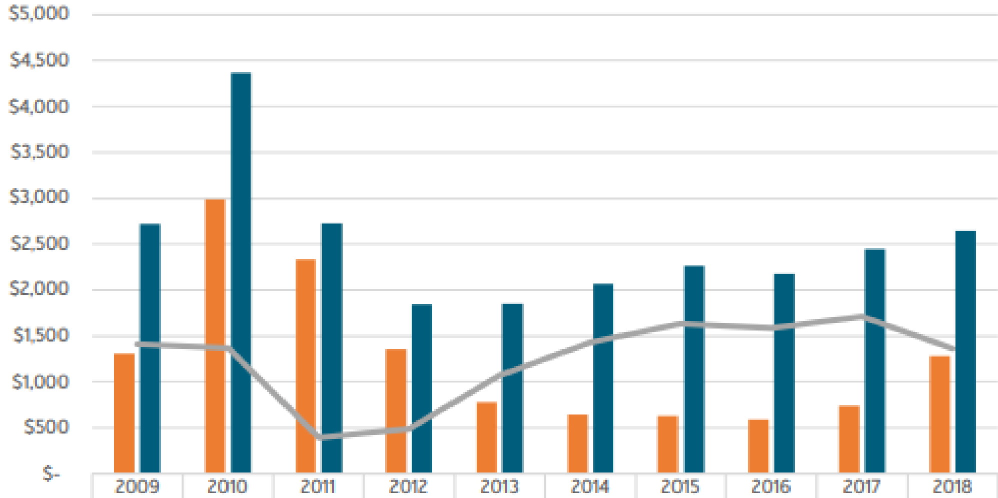
Figure 1: Capital investment in public and private schools from 2009 ($million)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Schools	$2,887	$6,678	$5,269	$3,117	$1,823	$1,520	$1,521	$1,443	$1,844	$3,249
All Private Schools	$3,168	$5,162	$3,287	$2,266	$2,316	$2,634	$2,925	$2,842	$3,226	$3,494
Private vs Public	$282	-$1,516	-$1,983	-$851	$492	$1,113	$1,403	$1,400	$1,382	$244

[29] Rorris, A., *Investing in Schools = Funding the Future*, 2021, retrieved from https://www.aeufederal.org.au/application/files/5716/2278/1619/AEU197_Investing_in_Schools_Report_v5_REV.pdf p.25

Figure 2: **Capital investment in public and private schools from 2009 (Per student)**



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public	$1,309	$2,994	$2,333	$1,357	$780	$640	$630	$588	$739	$1,281
All Private	$2,718	$4,365	$2,727	$1,844	$1,848	$2,070	$2,267	$2,175	$2,450	$2,644
Funding Gap per Student	$1,409	$1,372	$394	$487	$1,069	$1,430	$1,636	$1,586	$1,711	$1,364

Per student calculations provide the best comparison of investment in public and private schools. On a per student basis, private school students have enjoyed greater investment every single year over the 10 years examined by the study.

The indicative size of the additional annual investment required to close the gap between current per student spending for private schools and an equivalent per student investment in public schools is $3.8 billion per annum.

The capital investment gap shows an entrenched ratio of inequity

The only period over the last decade when the capital investment gap between private and public school students has been less than $1400 per student, per year was during the three years of the *Building the Education Revolution* program (BER) from 2010-2012. The average annual Capital Investment Gap per student has remained consistently above this figure between the Pre-BER period ($1409) and the Post-BER period ($1466). The BER period almost halved this gap, but even during this period public schools were underinvested by more than $750 per student every year.

The cumulative impact of the Capital Investment Gap per student across the decade from 2009-2018 is substantial and firmly entrenched. Over 10 years, the capital gap in funding between private schools and public schools is more than $12,450 per student. In the post-BER period (2013-18), public schools received in total nearly $8,800 less per student for capital investment than private schools.

This huge capital spending gap is a ratio of inequity. Nationally, the ratio of inequity has been above '2' for every year except for the three BER years of investment in public schools. This means that in every year outside of 2010-2012 capital investment in private schools has been at least double that in public schools. All years before and after BER program, have shown a ratio of inequity stretching from a best case scenario of 2.1 to as high as 3.7. Rorris has described the ratio of inequity of capital investment between private and public schools as "so extreme it is more a ratio of shame than inequity" and that "it frames the single failure of public policy to provide any semblance of balance in the provision of facilities across school sectors."[30]

[30] Rorris, A, *Ibid.*

Figure 3: **Capital investment Ratio of Inequity in public and private schools from 2009 (Per student)**

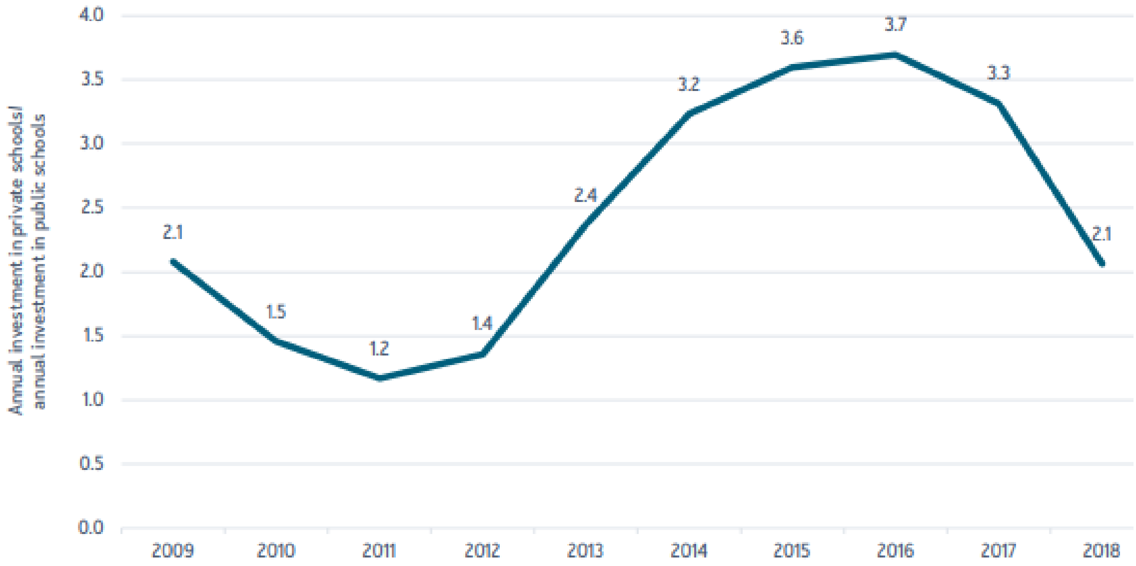
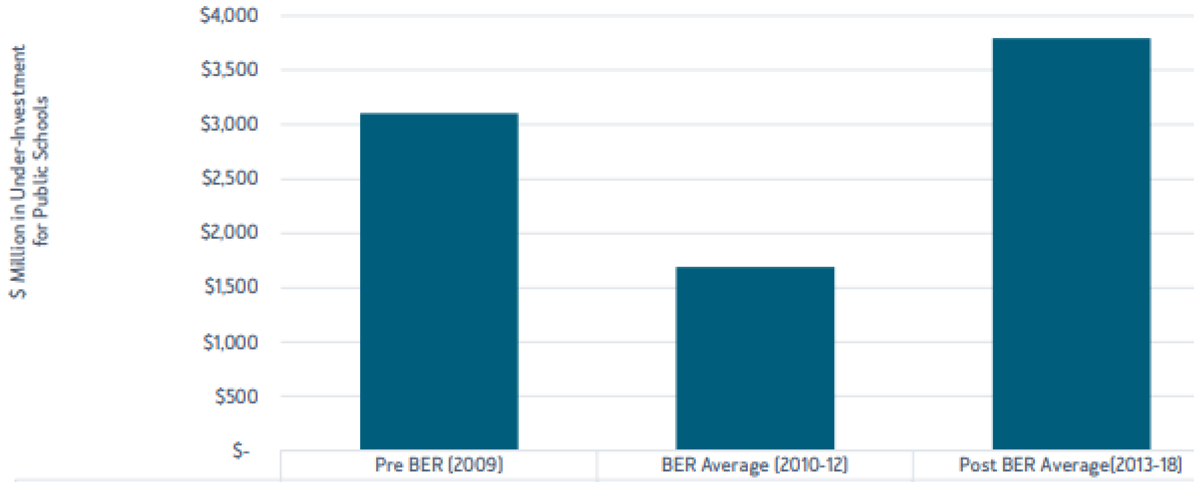


Figure 4: **Annual Public School Capital Investment Gap (pre BER, BER and Post BER periods)**



	Pre BER (2009)	BER Average (2010-12)	Post BER Average(2013-18)
Average Annual Gap, $ Million	$3,106	$1,689	$3,793

In addition to long term inequitable distribution of capital investment detailed above, the most recent available capital funding data shows that in 2019, per student capital investment in public schools was only 40% of that of private schools, an increase in the ratio of inequity to 2.5.

The economic benefits of capital investment in public schools

The Deloitte paper *Infrastructure or accelerated capital spend as an economic stimulus* succinctly makes a compelling argument for stimulatory infrastructure spending to focus on the improving of existing government assets that have often been neglected in favour of "mega-projects". The report argues that investing in improving the existing asset base in an environment of record low interest rates provides the most effective and efficient stimulus to the economy. It states:

> *Perhaps it is time to shift the focus into investing in the existing asset base, improving efficiency, improving resilience, improving broader cross-sector economic impacts through precincts and using technology to transform and de-risk delivery. In our view there are some logical steps to accelerate infrastructure as an economic stimulus.*[31]

Deloitte recommend that governments "increase the spend on asset management and maintenance" noting that "Governments have billions of dollars of assets in both hard assets and built form. Historically there has been a backlog of maintenance on assets as competing budgetary pressures have favoured new build." [32]

The report then details the positive impacts that investment in existing infrastructure can have:

- It stimulates the economy through improved efficiency of the existing asset base
- It leads to a reduction in operating and repair costs through strategically planned investment
- It can utilise a mix of highly skilled and unskilled labour
- Procurement processes and requirements can be met quickly and inexpensively for bidders
- The size of the investment can be scaled quickly to meet resource availability
- Opportunities can be targeted at high needs or vulnerable communities e.g. rural areas also impacted by bushfires
- It provides a boost to second and third tier contractors who can't compete on mega projects[33]

Public school infrastructure maintenance and improvement provides the perfect vehicle for the stimulus approach that Deloitte recommends. Thousands of public schools across the country are in need of urgent improvement at the same time that their enrolments are increasing rapidly. The work required to meet demand and bring school buildings up to standard meets all of Deloitte's tests: it covers all scales and much of it can begin very quickly, the immediate and ongoing benefits could accrue substantially to disadvantaged and low SES communities and a range of first, second and third tier contractors across all skill levels could be engaged quickly to undertake the work.

Additionally, a federally funded school building program will have enormous value to the economic recovery post COVID - 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.

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[31] Deloitte, Infrastructure or accelerated capital spend as an economic stimulus, retrieved from https://www2.deloitte.com/content/dam/Deloitte/au/Documents/infrastructure-capital-projects/deloitte-au-icp-infrastructure-accelerated-capital-spend-V5.0.pdf p.11

[32] Deloitte, *Ibid.* p.12

[33] Deloitte, *Ibid.* p.12

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.

Early Childhood Education

This Budget presents an opportunity to lift Australia's preschool investment to international standards

Quality early childhood education is one of the most important contributors to a child's school readiness. It provides the knowledge and skills that enable children to succeed at school, and throughout their lives. It develops the whole child – their social and emotional skills, their ability to communicate, get along with others and manage their behaviour and emotions.

These critical physical, emotional and cognitive skills enable children to thrive during their transition to school and help them become lifelong learners. Preschool is an opportunity to build strong foundations for optimal early development and school readiness.

Two years of preschool before starting school is the most transformational policy intervention the Commonwealth can make to give children the best start to school education.

The evidence is clear, and has been confirmed time and time again by multiple Australian and international studies. The OECD (2014) found that students who had attended pre-primary education perform better in PISA at age 15, after accounting for the students' socio-economic status. They found that a longer period of preschool has the largest impact on a child's literacy at age five apart from parental education and income.[34] This means that two years of ECE is the best policy change to immediately improve children's literacy. The positive impact of at least two years of ECE on teen literacy is approximately 60% higher than less than two years of preschool, and is equivalent to more than an entire year of schooling. Despite this, currently nearly one quarter of Australian children arrive at school without the skills they need to thrive.[35]

The OECD's *Education at a Glance 2021* report shows that from 2005-2019 Australia's enrolment rate, measured according to OECD standards, improved from 77% to 83% of 3-5 year olds, but still lags behind the OECD average of 87% and the European Union average of 91%.[36] Only 65% of three year olds are enrolled in ECE in Australia, far behind the OECD average of 78%, and 87% of four year olds are enrolled in ECE in Australia, again lower than the OECD average of 88%.[37] 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%.[38]

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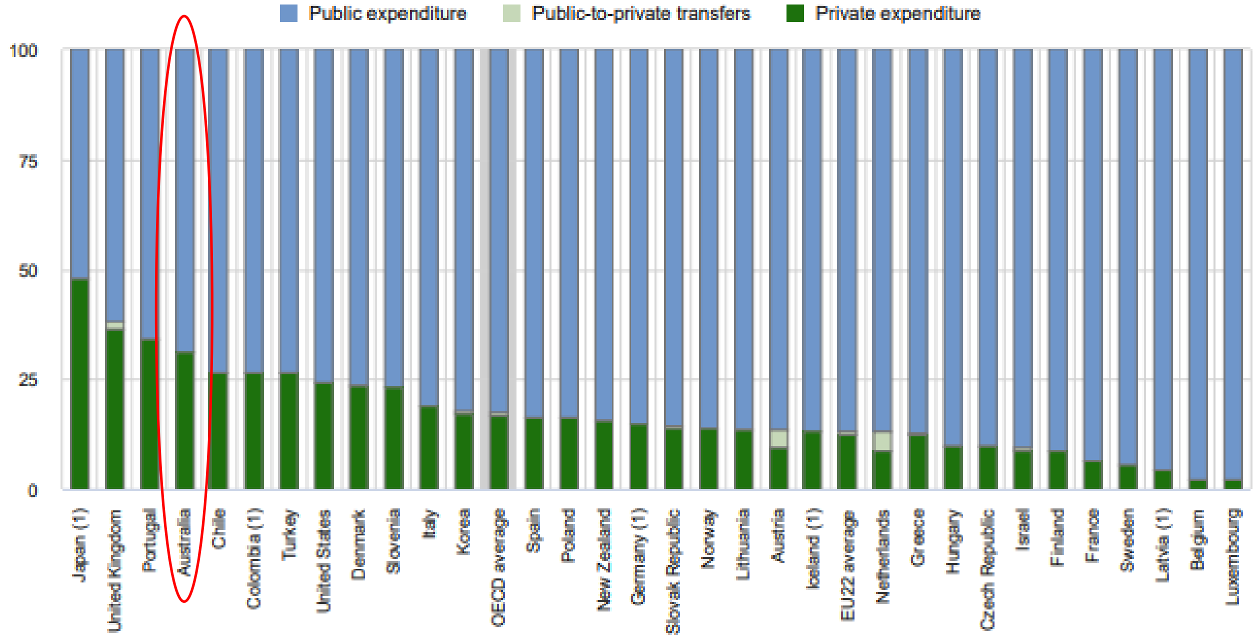
[34] https://www.oecd.org/education/EAG2014-Indicator%20C2%20(eng).pdf
[35] Mitchell Institute - two years are better than one
[36] OECD, *Education at a Glance,* 2021, Figure B.2.1, p.170.
[37] *Ibid.*
[38] *Ibid.*

Figure 5: Distribution of public and private expenditure on educational institutions in pre-primary education[39]



Australia is similarly behind when it comes to investing in ECE. Australia's expenditure on pre-primary education is 0.3% of GDP, half of the OECD average of 0.6% of GDP for 3-5 year olds - equal third lowest in the OECD. Australia's preschool expenditure per child aged 3-5 years is $7,399 US, 20% less than the OECD average of $9,260 US and 23% less than the EU average of $9,564 US per child.

This low level of expenditure is also disproportionately private. Australia has the fourth highest level of reliance on private funding of ECE behind only Japan, the UK and Portugal. 31% of 3-5 year old pre-primary expenditure in Australia is private, almost double the OECD average of 17% and more than double the EU average of 13%.

Two years of preschool is best practice around the world

The AEU had long called on the Commonwealth Government to guarantee ongoing permanent UANP funding for four year olds, and welcomed the announcement of ongoing funding for preschool in the year before school in the 2021-22 Budget. But despite this significant improvement, there is still much work to be done.

However, Australia is still behind much of the world when it comes to funding early childhood education. World Bank data[40] 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 11 countries which only provide one funded year by default along with Algeria, Angola, Bermuda, Gibraltar, the Islamic Republic of Iran, Ireland, Nigeria, the Philippines, South Africa and Sri Lanka. Australia is in the lowest quartile for 3

[39] OECD, *Education at a Glance,* 2021
[40] The World Bank, *Early Childhood Development*, retrieved from https://www.worldbank.org/en/topic/earlychildhooddevelopment

year old preschool participation compared with other OECD countries, and thirteen other OECD member states have 3 year old enrolment rates exceeding 90 per cent.[41]

Research strongly suggests that two years of preschool are more beneficial than one, with benefits including stronger cognitive skills on school commencement, particularly in relation to communication and literacy skills.[42] The Mitchell Institute has described funding for three year old preschool as "a clear opportunity" and found that "moving to universal access to two years of preschool can be an affordable, achievable and effective way for us to achieve greater and more equitable outcomes for Australian children."[43] It is resoundingly clear that Australia should be expanding early childhood education and introducing universal three year old access.

There is mounting evidence that early childhood education is an area where a small investment can have a huge long term impact. A 2019 report by Price Waterhouse Coopers (PWC)[44] 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.

Further to the economic benefits of preschool investment as demonstrated by PWC, investment in public and non for profit preschool services provides the greatest benefit. The Chifley Research Centre has found that public ECEC provision is of superior quality to private provision. Their recent report concluded that public and not for profit ECEC providers are much higher quality than for profit and that state/territory or local government managed services have 70% exceeding quality standards compared to 27% of private for profit services. It recommends that governments increase investment in ECEC and that higher staff spend correlates with higher quality and low staff spend correlates with low quality that the sector needs more certainty on funding to ensure sustainability and increased provider transparency on provider spending on quality and that funding should be premised on quality universal access.[45]

The AEU calls for the 2022-23 Budget to deliver certainty for the sector, with a focus on the following two actions as a matter of urgency:

1. Promote, fund and support full participation by three year-olds in quality early childhood education programs, in particular to maximise participation by vulnerable or disadvantaged children.
2. Act to implement the new national early childhood education and care workforce strategy to support the recruitment of the 16,000 educators and 8,000 teachers in that the strategy identifies as being required to November 2025 in order to improve the retention, sustainability and enhanced professionalisation of the workforce and improve service quality and children's outcomes.

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[41] Pilcher, S., Noble, K and Hurley, P., *Stepping up: Securing the future of quality preschool in Australia*, 2021, retrieved from https://www.vu.edu.au/sites/default/files/stepping-up-securing-the-long-term-future-of-preschool-mitchell-institute-policy-briefing.pdf

[42] (Fox et al, 2016 & Taggart et al, 2015) (AIFS, 2015; Sylva et al, 2010; US Department of Health and Human Services, 2010).

[43] (Fox et al, 2016

[44] 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

[45] Chifley Research Centre, *Investing in Australia's early childhood infrastructure* , 2020, retrieved from https://www.chifley.org.au/publications/investing-in-australias-early-childhood-infrastructure/

Declining enrolments in approved educator qualifications along with increasing demand for qualified early childhood education and care (ECEC) staff have created urgent workforce challenges for the early childhood sector. This highlights the pressing need for the Commonwealth Government to invest in TAFE and help ensure a sustainable supply of highly skilled early childhood teachers and educators.

Failing to invest in the existing workforce and ignoring the growing demand for qualified early childhood teachers and educators will result in the ECEC sector becoming increasingly unable to function, making it harder for parents to go to work and leaving children without the benefits of a high quality early education.

TAFE is the centre of our national vocational education system. It is ideally placed to educate and upskill the workforce needed to address the shortage in the ECEC sector.

A truly effective strategy for ECE workforce renewal can only be achieved through national dedicated funding for TAFE to educate ECEC educators, by making use of the community and industry links that TAFE provides. It cannot be left to private RTOs to rebuild the sector's skills base.

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 had already existed in crisis. Successive Australian governments have failed to address this systemic under-funding, and 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[46] 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'.[47]

The AEU's previous Pre-Budget submissions contain 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. However, we do wish to note that on top of the continued starvation of TAFE funding from 2013 onwards, the recent release of 2020VET funding data showed that:

- Although Commonwealth government funding of VET increased by $1.2 billion in 2020 due to JobTrainer, this followed a decline of $438 million over the previous three years
- The vast majority of Commonwealth VET funding was in the form of $1.3 billion in employer assistance, and only $205.8 million (5% of all Commonwealth VET funding) was allocated to TAFE[48]

[46] Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra p86
[47] Business Council of Australia 2017, *Future-proof: protecting Australians through education and skills*, Melbourne, Business Council of Australia, p. 77.
[48] https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2020

This deliberate and consistent funnelling of investment away from TAFE and towards private providers presents a huge missed opportunity for the Commonwealth. We would again like to draw the Treasury's attention to the ground-breaking report published in 2020 by the Centre for Future Work at the Australia Institute that provides the first Australia wide analysis of the economic and social benefits of TAFE.[49]

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.[50]

The annual total economic benefits of Australia's historic investment in the TAFE and the current TAFE trained workforce are shown in table 6 below.

Table 6:

TAFE Annual Economic Impact Results	
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
Total Benefit	**$92.5 billion**
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.

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[49] 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
[50] Pennington, *Op. cit.*, p.8.

- 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.[51]

The Centre for Future Work report finds that the TAFE system also 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 l 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.

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:

> *"Undermined 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."*[52]

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 recovery 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."[53]

A strong TAFE sector is essential for a recovery

In the 2021-22 MYEFO Treasurer touted the creation of 366,000 jobs in November 2021. Therefore it stands to reason that the government should make sure these people entering and re-entering the workforce are properly trained and qualified in order to be as productive as possible. As the report summarised above shows, qualifications gained from the high quality and consistent public provider – TAFE, provide huge economy wide productivity benefits in both the short and long term. However, to date the Commonwealth Government's response in relation to vocational education has been to underplay and underfund the integral part that TAFE must play in Australia's recovery.

The Prime Minister has previously 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

[51] Pennington, *Op. cit.*, p.9.
[52] Pennington, *Op. cit.*, p.8.
[53] Pennington, *Op. cit.*, p.8.

better system”. [54] What he failed to 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.

JobTrainer has proven short sighted and short term

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. 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), has only served to encourage private RTOs to cut corners to seek increased profit. This is nothing but a recipe for another rorting disaster on the scale of VET-FEE-HELP.

Analysis of the courses and providers funded through Jobtrainer in five jurisdictions (NSW, Vic, WA, SA and the ACT) to the end of November 2020 shows that the scheme’s funding was being used to deliver an inconsistent range of substandard short courses of inadequate length delivered in the main by a concentration of private providers. The analysis shows that:

- There is almost no national agreement by governments on the skills which are critical to Australia’s economic recovery – only 16 (3%) of the 547 JobTrainer courses are being funded by all jurisdictions (another 38 courses (7%) are funded by 4 States or Territories)
- 70 of the 547 courses have an advertised duration which is below the requirements set out in the Australian Qualifications Framework – 1 in every 8 courses is much shorter than it should be
- 11 of the providers receiving JobTrainer funding have current conditions (relating to their assessment practices) imposed on their registration by the national VET regulator, ASQA
- These 11 providers include one TAFE Institute, one community college and 9 independent providers
- 99 providers have funding contracts in more than one State or Territory: 17 have contracts in 3 jurisdictions, 5 have contracts in 4 jurisdictions and 1 organisation (operating 2 RTOs – one with a Victorian HQ) has funding contracts with all 5 governments which have so far published their JobTrainer data

[54] The Hon. Scott Morrison MP, *Transcript, Q7A, National Press Club, ACT 26 May 2020, p.7.*

- Of those providers with JobTrainer funding contracts in more than 3 states: 2 are Victorian TAFEs, 2 are community organisations/industry associations, and 19 are independent providers.[55]

There must be a comprehensive national free TAFE offering

So far, the Commonwealth Government has relied almost entirely on state and territory governments to ensure the ongoing viability of TAFEs during this jobs and skills crisis, and the Prime Minister has now stated that future federal contributions will be contingent on state and territory funding. As outlined previously in this submission, TAFE currently accounts for only 5% of total Commonwealth funding to VET. It cannot be left up to states/territories alone to provide the funds needed to rebuild 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 Australia's post COVID-19 recovery.

Apprentices deserve security

The massive and very likely long term and disproportionate impact of COVID-19 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, and despite the additional $1.5 billion apprentice 50% wage subsidy to employers announced in conjunction with JobTrainer in July 2020, there are now 83,000 less apprentices and trainees than there were in 2013. Further, the 50% wage subsidy offers no ongoing security to apprentices once they have completed their training. The AEU has heard anecdotal evidence that large numbers of employers are abusing this to hire first year apprentices as cheap labour, with no intention of employing them throughout the full three years of their apprenticeship. The additional wage subsidies of 10% for second year and 5% for third year announced in September 2021 will do little to rectify the rorting of the apprentice subsidy program.

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

[55] Clare Field & Associates, *The JobTrainer scheme lacks national consistency, offers too many short courses, and funds providers subject to regulatory action,* retrieved from https://www.clairefield.com.au/jobtrainer-what-courses-which-providers-are-being-funded/

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 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 and meet workforce shortages.

There has never been a greater need for a high quality, well-resourced and trusted TAFE sector. TAFE is crucial to Australia's recovery. It is the obvious way to secure high quality training to large numbers of people. The 2022-23 Budget provides an opportunity for the Commonwealth to move from the support and stimulus phase of its economic response to COVID-19 to the strengthening the recovery, 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 Commonwealth Government must recognise the primacy of TAFE in order to achieve jobs for 1.7 million Australians who are unemployed, underemployed, looking to upskill or re-skill to prepare for an uncertain future.[56]

The AEU proposes that the Commonwealth Government take the following steps to guide Australia's recovery:

- Recognise and fund TAFE as the valued public education institution that provides a myriad of support services to students beyond the basic course units offered by many private providers,
- 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 Vocational Education since 2013
- Ring-fence future VET investment made through the JobMaker scheme for TAFE
- Co-design a workforce development strategy with the profession and the union and create fit-for-purpose teaching qualifications that reflect student-centred learning so every Australian can achieve their goals.
- Implement targeted support for the public VET provider, guaranteeing a minimum of 70% of VET funding from all governments to TAFE.

[56] Hon. Richard Marles MP, Press release - 1.7 million Australians looking for work or more hours of work despite skills shortage 16/12/2021

Conclusion

The way forward to secure Australia's recovery

Over the past two years students and teachers in Australia's public schools, preschools and TAFEs have been at the frontline of the COVID-19 pandemic. They have endured unprecedented uncertainty with regard to their teaching and learning. Students, in particular those students who experience disadvantage, have dealt with huge a disruption to their education.

Substantial and sustained investment in public education is now required more than ever. If Australia is to continue its recovery and continue its return to growth following the economic shock of the last two years, the upcoming 2022-23 Budget must have a significant focus on building for the future. This focus should be directed where it can have the most immediate and long term impact, towards public education – to preschools, schools and TAFE.

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.

The Commonwealth has received multiple reports and reviews concluding that investment in public preschool, schools and TAFE provision is one of the most effective stimulus levers available, investment in education returns many times its cost and accrues multiplying benefits across generations.

Now is the time for the Commonwealth to act and to fund Australia's future.

Public schools are chronically starved of the necessary recurrent funding needed to strengthen Australia's public education system as we deal with the Omicron variant of COVID-19 and 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 the Commonwealth's response to COVID in favour of fly by night private provision, and three year old preschool remains unfunded despite overwhelming global evidence of the efficacy of two years 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 a minimum of 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 that TAFE provides each year
- Provide guaranteed ongoing funding to preschool for three year olds nationally to further increase participation, to give children the best start in education and to encourage parents back to work.
- Provide funding to enable the full implementation of the National Children's Education and Care Workforce Strategy to attract and retain the thousands of new ECEC teachers and educators that are required.