



Pre-Budget submission to the Department of Treasury on priorities for the 2023-24 Federal Budget

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Introduction

The Australian Education Union (AEU) represents over 198,000 educator members employed in the public primary, secondary, early childhood, and TAFE sectors throughout Australia, and we welcome the opportunity to present our views on priorities for the 2023-24 Budget. AEU members in all three sectors have been subject to a decade of funding and policy neglect under the previous Commonwealth Government.

Public education is without a doubt the bedrock from which all Australians can secure a better and more equitable future and the AEU strongly recommends that in this year's Budget a significant investment is made in public education to continue the urgent work of repairing almost of a decade of damage inflicted under the previous Commonwealth Government. 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

Now is the time to fulfil the promise of the Gonski Review of Funding for Schooling

The AEU strongly urges the Commonwealth to use the 2023-24 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 to use the upcoming school funding negotiations with states and territories as a lever to deliver the funding required to achieve a minimum of 100% Schooling Resource Standard (SRS) Funding for all Public Schools. It will also require the Commonwealth to engage with the State and Territory Governments to ensure that they provide the recurrent 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 100% of the SRS for all students is essential for fairness and equality of opportunity in education. As such, meeting the minimum standard should be viewed by government as a sensible and responsible investment rather than viewed in a reductionist way as a cost that must be contained.

The AEU recognises that Minister Clare has recently reconfirmed that “The Albanese Government is committed to working with State and Territory governments to get every school to 100 per cent of its fair funding level”¹ and has announced that a panel of eminent Australians will be established to inform the next National School Reform Agreement. However, the AEU asserts that progress towards this commitment must be included in the forward estimates of the 2023-24 Budget.

¹ Minister Jason Clare, Press Release, 20/01/2023, retrieved from <https://ministers.education.gov.au/clare/productivity-commission-review-national-school-reform-agreement>

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

Public school systems urgently need additional resource 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, and to address the future compounding effect of that learning loss.

The AEU welcomed the Schools Upgrade Fund and Student Wellbeing Fund announced in the October 2022 Budget, but we note that those measures expire over the next two years, and although they will contribute to addressing some of the growth in inequity resulting from long period of remote learning during 2020 and 2021, increased and consistently accessible funding is required to maintain student wellbeing and to ensure that upgrades continue to be made and are maintained in the future.

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 in this Budget

Changes to Commonwealth funding arrangements to the *Australian Education Act* as amended in 2017 dismantled the co-ordinated needs-based approach to schools funding initiated by the *Australian Education Act 2013*, and in the five 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 accommodate 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 previous Government’s funding priorities were neither needs based nor sector blind. In addition, the failure of the previous Commonwealth Government to honour signed National Education Reform Agreements (NERA) with the states and territories resulted in public schools not receiving \$1.9 billion of funds that were expected under these agreements in 2018 and 2019.

The 2018-2023 National School Reform Agreements (NSRAs) signed between the State and Territory Governments and the Commonwealth in 2018 and 2019 have entrenched funding inequality and moved public schools even further away from the promise made by the 2011 Review of Funding for Schooling of needs based and sector blind funding for all Australian students. The net result of these agreements is that only 1.3% of public schools will receive funding which meets the minimum SRS from combined State/Territory and Commonwealth Government contributions by 2023 compared to over 90% of private schools.²

This submission will demonstrate these changes are neither fair nor fiscally responsible. On the contrary, the SRS allocations within the 2018-2023 bilateral funding agreements deepen the existing inequity between school systems, exacerbate the teacher shortage crisis and entrench the gap in learning outcomes between students from advantaged and disadvantaged households. The AEU’s position, supported by a large and credible body of national and

² AEU internal analysis of NSRA bi-lateral agreements 2018-19, retrieved from <https://www.education.gov.au/national-school-reform-agreement-0>

international research, is that investment in equity in our education system is vital to Australia's social cohesion, employment, continued economic growth and future prosperity.

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.*³

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 for the majority of students to achieve the minimum standard of achievement – and is not an aspirational target.⁴

In light of the proven positive correlation between equity in education and a broad range of social indicators, it is imperative that the 2023-24 Budget ensures that public schools are guaranteed funding at a minimum of 100% of the SRS. To achieve this the Commonwealth must lift its SRS contribution, which is currently capped at 20% for public schools, to 25% over the forward estimates. Such an investment would incentivise State and Territory Governments to meet their commitments to fund public schools to 75% of the SRS, and most importantly provide certainty to the 2.6 million students and 281,000 staff in 6,692 public schools around Australia.⁵

The recent announcement of the further continuation of the existing NSRA for another twelve months means that there is now an urgent imperative for the Treasury to ensure that the necessary funding is made available in the forward estimates of the 2023-24 Budget to meet the promise of the Gonski Review of Funding for Schooling and deliver full funding to the minimum SRS for every student in Australia. This Budget presents the Commonwealth with the opportunity to ensure that 100% of schools receive 100% of the SRS by the conclusion of the next agreement.

The current funding shortfall and the path forward to 100% of SRS

The most recent publicly available projections from the former Department of Education, Skills and Employment's (DESE) for SRS and enrolment growth⁶ 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

³ OECD (2020), *Education at a Glance 2020: OECD Indicators*, OECD Publishing, Paris. p. 38

⁴ Rorris, A., *The Schooling Resource Standard in Australia 2020-23: Impact on Public Schools*, 2020, p.1, retrieved from http://www.aefederal.org.au/application/files/5016/0393/4220/The_Schooling_Resource_Standard_in_Australia.pdf

⁵ ABS, Table 90a Key Information, by States and Territories, 2020 to 2021, <https://www.abs.gov.au/statistics/people/education/schools/latest-release#schools>
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.

state or territory except the ACT will public schools meet the minimum SRS requirements. The DESE data in table 1 shows that 2023 the total underfunding of public schools will be \$4.5 billion dollars.⁷ At the same time, private schools will receive government funding over and above 100% of the SRS totalling \$791 million dollars this year.

From 2020 to 2023 alone the total recurrent funding shortfall for public schools from not meeting 100% of the SRS totalled over \$19 billion.

Table 1. 2023 Funding for Public & Private Schools – \$ Above/Below School Resourcing Standard (SRS)⁸

	2023		2023
Public	-\$4,514,714,035	Private	\$791,573,805
NSW	-\$1,275,297,677	NSW	\$366,880,256
VIC	-\$1,238,814,907	VIC	\$118,362,025
QLD	-\$1,264,523,232	QLD	\$180,181,271
SA	-\$188,790,247	SA	\$31,483,097
WA	-\$288,544,182	WA	\$75,726,901
TAS	-\$70,271,426	TAS	\$7,081,927
ACT	\$ -	ACT	\$17,715,928
NT	-\$188,472,363	NT	-\$5,857,601

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.

Tables 2 and 3 use the same DESE projections to show per student funding above or below 100% of SRS. Table 2 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). This is in stark contrast to Table 3, which shows that private schools in all states and the ACT will be funded above 100% of the SRS on a per student basis in 2023.

These tables show the impact that the 2018-2023 bi-lateral funding agreements have had in each of the last five years and demonstrate how the current 20% cap on Commonwealth contributions to public schools and the prolonged timeline for state and territory governments to reach 75% SRS contribution combines to ensure that underfunding of the public system is entrenched. At the same time, the Commonwealth contribution to private schools of 80% and the state and territory contributions of 20% of SRS, combined with a 10 year time frame to transition down to 100% of SRS means that over 90% of private schools students in Australia are funded to more than 100% of SRS.

⁷ Rorris, *Op. cit.*, p6

⁸ Rorris, *Ibid.*, p6

Table 2. Underfunding of Public Schools - Per Student Spending Below the Minimum School Resourcing Standard⁹

	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.

Table 3. Funding for Private Schools is above SRS levels by 2022, Per Student¹⁰

	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

Removing the 4% ‘capital depreciation allowance’ is key to fully funding public schools

In addition to the SRS shortfalls outlined above, the five year bilateral agreements include provision for all states and territories except the ACT to include, for public schools only, “additional expenditure items” such as building depreciation and transport costs within their SRS contributions. These items were never conceived to be part of the SRS, are not included in national SRS calculations and prior to the 2018-2023 agreements had never previously been included in SRS calculations for states or territories.

The impact of this allowance reduces actual spending in public schools 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

⁹ Rorris, *Ibid.* p.7

¹⁰ Rorris, *Ibid.*, p.6

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.¹¹

Data provided to Senate Estimates in 2021 shows that over the course of the bi-lateral agreements from 2018 to 2023 the ‘segregated roort’ of the “additional expenditure” clause deprived public school students of an additional \$11.3 billion in recurrent funding. For 2023 alone, the deficit is \$2.1 billion, meaning that every public school student will be deprived of a minimum of \$760 in much needed funding this year.

Table 4 School recurrent funding accounted for through 4% “additional allowance”¹²

State	Sector	2018*	2019*	2020*	2021^	2022^	2023^
		\$m	\$m	\$m	\$m	\$m	\$m
NSW	G	523.7	552.2	579.9	607.5	634.8	663.2
VIC	G	391.9	418.4	438.3	461.5	484.7	509.0
QLD	G	369.5	389.9	417.0	435.6	452.6	470.4
SA	G	118.5	125.6	130.4	136.2	144.0	149.9
WA	G	182.1	192.8	203.9	214.2	224.3	234.8
TAS	G	40.0	41.6	43.7	46.2	47.7	49.4
ACT	G	0.0	0.0	0.0	0.0	0.0	0.0
NT	G	32.0	33.7	36.0	37.7	39.3	41.2
Australia	G	1,657.7	1,754.4	1,849.2	1,938.8	2,027.5	2,117.9

Table 5 Capital Depreciation Allowance – amount of funds deprived per public school student¹³

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 slow progress toward states and territories meeting their 75% commitment in the 2018-23 bilateral agreements and

¹¹ Rorris, *Ibid.*, p.8

¹² DESE, Question No. SQ21-000772 Budget Estimates

¹³ Rorris, *Ibid.*, p.9

the additional expenditure clause is \$6.7 billion this year and has totalled \$26.9 billion over the last five years.¹⁴

Entrenched funding shortfalls are the cause of Australia's inequity in educational achievement

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 in achievement across a range of measures and subject domains:

- 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.¹⁵

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.¹⁶

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.

¹⁴ Rorris, *Ibid.*, p.9

¹⁵ Thompson, S, De Bortoli L, Underwood C & Schmid, M. *PISA 2018, PISA in Brief: Student Performance*, Australian Council for Educational Research, 2019, p.18

¹⁶ Thomson, S., Wernert, N., Rodrigues, S., & O'Grady, E. (2020). *TIMSS 2019 Australia. Volume I: Student performance*. Australian Council for Educational Research. p.xvi

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.*¹⁷

High quality public education is a public good and a human right

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 of 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.”¹⁸ In order 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.

The only way to address this socio-economic segregation and to bridge the huge equity and achievement gaps between students from high and low SES households is to bring all public schools to a minimum of 100% of SRS. The AEU strongly urges the Treasury to provide funds to increase the Commonwealth’s SRS contribution to public schools from 20% to 25% over the forward estimates.

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 reform¹⁹

¹⁷ 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>

¹⁸ <https://docs.education.gov.au/documents/alice-springs-mparntwe-education-declaration>

¹⁹ 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>

Increasing the Commonwealth SRS cap from 20% to 25% in conjunction with increased contributions from State and Territory Governments is an investment in Australia's future. Investment 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 student achievement. This in turn leads to better life outcomes for individual students and long term benefits to society, the economy and the entire country.

Students with disability are missing out on the support they need

Almost 70% of students with disability attend public schools²⁰, which work extremely hard to ensure that issues such as access, specialist support, and health and wellbeing are appropriate so that all students can learn in a safe environment. However, 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 available funding per student is in decline.

Since the introduction of the Nationally Consistent Collection of Data (NCCD) in 2018, the application of the four 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 reducing the amount of funding available to schools to make adjustments for students with disability.

²⁰ 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

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.

In 2021, there were 572,000 public students with disability including 186,000 (32.6% of all public school students with disability and 7.1% 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.²¹

The 2023-24 Budget must urgently address this lack of funded support for these 186,000 students with disability assessed in the Quality Differentiated Teaching Practice category 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.

Additionally, and importantly, much greater attention needs to be paid to the impact from the bi-lateral agreements in not meeting the full SRS on all equity measures. AEU analysis of data provided at Senate Estimates shows that the combined failure of the Commonwealth and State and Territory Governments to fund public schools to 100% of the SRS flows through to the way in which disability loadings are calculated as a percentage of SRS contributions. This means that nationally in 2021 the 383,545 students in receipt of a disability loading received \$601.2 million less in disability loadings than they should have that year. The largest shortfalls were in the states with the largest student populations:

- In NSW 144,225 students with disability who qualified for loadings were short changed \$180.7 million due to NSW not meeting its minimum SRS requirements
- In Victoria 97,223 students with disability who qualified for loadings were short changed \$204.2 million due to Victoria not meeting its minimum SRS requirements
- In Queensland 72,897 students with disability who qualified for loading were short changed \$128.2 million due to Queensland not meeting its minimum SRS requirements

This inequity for students with disability who qualify for loadings is entrenched in the bi-lateral agreements until at least 2027 (and to 2032 in Queensland) and can only be rectified by ensuring that the shared responsibility of the Commonwealth and States/Territory governments to meet 100% of the SRS is guaranteed in the next agreement.

²¹ ACARA, *Distribution of Students with Disability 2021*, retrieved from <https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/national-report-on-schooling-in-australia-data-portal/school-students-with-disability>

A further and significant issue with the resourcing of disability loadings for students in public schools is that many public school teachers and leaders do not have the required resource or time available to them to engage in the repeated assessment and application processes necessary to ensure that their students receive their proper loading. This issue was raised by Department of Education, Skills and Employment officials in the 2022/23 Budget Estimates Hearings:

[W]e saw that government schools were slower to respond to some of the issues for picking up students with disability and providing certain kinds of support for students with disability. So their loading was not increasing as much during that time, whereas, for the non-government sector, we saw quite a strong response to identifying and providing the supports for students with disability. So that's just an example of how one loading is quite different between the government and the non-government sector. If you look at the funding there in terms of disability, you see that the non-government sector was responding in 2020 and 2021 with shifts of nine percentage each per annum, in terms of those disability loadings, whereas the government sector was much slower to respond.²²

This gap between school sectors is also borne out by the change in the percentage of students in receipt of funded disability loadings by school sector, particularly in recent years. From 2015 to 2021 the percentage of students in independent schools who receive the supplementary disability loading has increased from 6.9% to 8.4% and in Catholic schools it has increased from 8.6% to 10.5%. In public schools the increase has been much lower, from 8.3% to 9.0%. Similarly, the percentage of Catholic school student in receipt of the substantial loading has increased from 1.7% to 3.6% and for independent schools it has increased from 2.0% to 2.6%. Over the same time period the percentage of public school students in receipt of the substantial loading has increased only from 3.4% to 3.9%.²³ These figures suggest that there are significant numbers of students with disability in public schools who are not in receipt of a disability adjustment or are not in receipt of the correct level of adjustment and thus missing out on necessary support. Indeed, the AEU has had numerous reports from AEU Branches and Associated Bodies (in particular from New South Wales, Victoria and Tasmania) that this is the case.

School systems have ultimate authority for ensuring that students with disability have access to the support that they need to participate in education on the same basis as students without disability, but it is the responsibility of governments who administer and fund these systems to ensure that schools have the resources necessary to support students with disability. It is also the responsibility of governments to ensure that schools have enough resources and the capacity to complete the administrative and bureaucratic requirements that the system demands.

As the results above show, too often the responsibility for ensuring that students receive the support they require falls to teachers and principals rather than on the authorities which manage school systems and the State, Territory and Commonwealth Governments that fund them.

The 2023-24 Budget must as a priority ensure that all schools systems have the resources to make the required adjustments for students with disability and that and school staff have the

²²https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/25685/toc_pdf/Education%20and%20Employment%20Legislation%20Committee%202022%2004%2001.pdf;fileType=application%2Fpdf#search=%22education%20and%20employment%22 p.68

²³ <https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/national-report-on-schooling-in-australia-data-portal/school-students-with-disability>

capacity to assess them so that all students are able to access the level of support appropriate to their needs.

Full funding is essential to fixing the teacher shortage crisis

Teachers are working harder than ever to deliver high quality public education to larger and more complex classes with fewer resources than at any stage over the last two decades. The teaching workforce is at a point of crisis, as shown in the current daily media reports of widespread teacher shortages across the country.

This national teacher shortage has been building for over a decade, and AEU members experience the impact of it every day. Student enrolment projections from the former Department of Education, Skills and Employment predict that an additional 345,000 students will be enrolled in Australian schools by 2029²⁴, and employment projections produced by the National Skills Commission showed that demand for school teachers was expected to increase by 10.2% (or 42,600 new jobs) over the five years to May 2024.

In New South Wales alone an additional 11,000 teachers will be needed over the next decade, and this increases to an additional 13,750 teachers if student teacher ratios were to be maintained at the national average.²⁵ This does not include the number of teachers leaving the profession prior to retirement. The Australian Institute for Teaching and School Leadership (AITSL) estimates that non-retirement attrition could be 14% over the next 10 years above and beyond the currently expected shortages.

Numerous international studies from the 1970s to the current decade have consistently shown that higher teacher salaries relative to those of other comparable professionals increase the likelihood of highly performing secondary students becoming teachers and reduce long term rates of attrition. There is also a clear correlation between a country's investment in teachers' salaries and the performance of its students in PISA tests.

In Australia teachers' pay has failed to keep pace with other professional occupations requiring similar levels of qualification and skill. Whilst early career teachers are remunerated at similar levels to those in other graduate positions, there is a noticeable lag in teachers' pay progression over time which leads to shortages, attrition and difficulties in recruitment, particularly for teachers in science, technology, and engineering and mathematics (STEM) subjects.

There are also significant limitations to teachers' pay that reduce the attractiveness of the profession to high performing secondary students and university graduates from in demand disciplines. Teachers at the top of the salary scale in Australia earn about 1.4 times their graduate wage, whereas across the OECD the average is about 1.7 times the graduate wage. This limitation forces a decline in salary, relative to other professions, as experience and expertise increases.²⁶ In Australia, this "flat" top end of the scale in existing salary structures discourages potential teachers from entering the profession and drives out experienced teachers.

²⁴ 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

²⁵ Rorris, R., *NSW Public Schools to 2031: Impact of Enrolment Growth on Demand for Teachers*, retrieved from <https://www.nswtf.org.au/files/rorris-report.pdf>

²⁶ Ingvarson, L., Reid, K., Buckley, S., Kleinhenz, E., Masters, G., Rowley, G. (2014). *Best Practice Teacher Education Programs and Australia's Own Programs*. Canberra: Department of Education, p.47.

Teachers need more time and space to do their jobs including more planning, preparation and assessment time, smaller class sizes and pay and progression structures that recognise the value of their work throughout their careers. Committing in the 2023-24 Budget to removing the artificial Commonwealth contribution cap of 20% of SRS and using the next round of bilateral funding agreements to incentivise State and Territory governments to increase their contributions so that the full SRS is met is critically important in order to circumvent the national teacher shortage crisis.

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 from 2017 to 2022 public schools had no access to Commonwealth funds for capital works. The \$215 million announced for 2023-24 to provide new buildings and major facilities upgrades for public schools announced in the October 2022 Budget was overdue and very welcome. However, this figure pales in comparison to the \$1.9 billion non-government school capital works fund that the Commonwealth provides to private schools. In the four years from 2019 to 2022 this fund has already provided approximately \$640 million to private schools for capital works²⁷, and the single year Schools Upgrade Funding of \$215 million for public schools is a one off fund of just one third of this amount spread across more than twice as many schools.

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, this investment would provide a huge benefit to Australia's construction and manufacturing industries and drive skilled employment.

Total public school enrolments have increased by 280,376 students over the last decade, an increase of 12.0%. This trend began with primarily with a significant increase in the rate of primary school enrolments and over time has led to substantial and sustained increases in public school enrolments in at both the primary and secondary levels. ²⁸

Capital investment in public schools would fund Australia's future

The 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 previous Commonwealth Government's overwhelming preference for capital investment in private schools and details the huge economic and societal returns that proper investment could deliver.

Drawing on OECD research, the report concludes that capital investment in 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

²⁷ <https://www.education.gov.au/payments-and-grants-schools/capital-grants-non-government-schools>

²⁸ <https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/national-report-on-schooling-in-australia-data-portal/student-numbers#view1>
<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument>

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_R_EV.pdf p.25

A public school capital investment program of approximately \$3.8 billion is recommended by the report, which uses ABS data³⁰ on the average annual investment cost per job in the construction industry to determine that such a program of capital investment in schools could sustain more than 37,000 additional construction industry jobs every year.

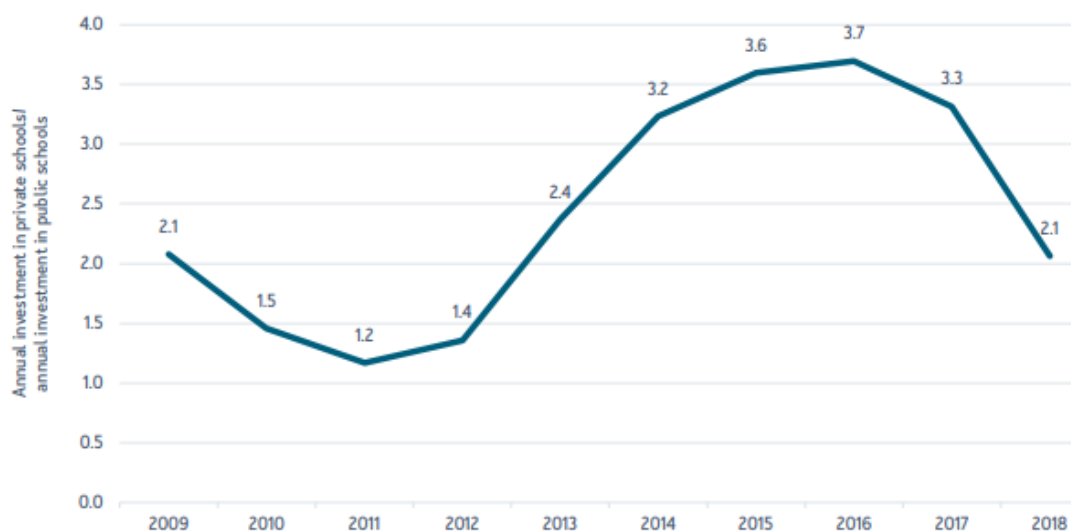
The capital investment gap shows an entrenched ratio of inequity

The only period over the last decade when the capital investment ratio 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. In the report, Rorris describes 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.”³¹

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



³⁰ Investment \$ Billion, ABS Building Activity Investment, and Total Construction Jobs, ABS Table 05: Employed persons by industry division

³¹ Rorris, A, *Ibid.*

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.³²

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.”³³

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 projects³⁴

Public school infrastructure maintenance and improvement provides the perfect vehicle for the investment 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, particularly in the population growth corridors of western Sydney and outer western and eastern Melbourne. 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.

³² 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

³³ Deloitte, *Ibid.* p.12

³⁴ Deloitte, *Ibid.* p.12

Particular attention must also be given to rural and remote capital works infrastructure, with a 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.

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 low SES and 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 AEU calls for the Commonwealth to create a long term School Building and Upgrade Fund to meet these challenges in the 2023-24 Budget.

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.

A high proportion of children start school with developmental vulnerabilities that impact their ability to thrive, achieve at school and succeed in life. Access to high quality early education has been proven to reduce the gap and helps ensure all children have the foundational skills they need throughout their lives.

Australia's education systems are some of the least equitable in the OECD³⁵ and this challenge starts in early education. The Commonwealth Government has a responsibility to ensure equity of access to quality early education and care for all Australian children, and the AEU welcomed the significant funding to improve affordability of childcare that was a highlight of the October 2022 Budget, however preschool was a striking omission from the announcement and greater investment is needed to ensure that Australia's children have appropriate access to preschool education.

Some states, notably Victoria, have committed to a rollout of preschool programs for 3 old's, NSW is trailing 3 year old preschool in long day care services, Victoria and NSW have

³⁵ (Gonski, 2011)

committed to increasing the hours of preschool in the year before school and South Australia is currently conducting a Royal Commission into Early Education and Care. These advances mean that we potentially face a situation where access to a 3 year old preschool program and an expanded 4 year old program will be dependent on which state a child lives. The Commonwealth must be ambitious and take the lead to renew its commitment to universal early education to ensure programs for all 3 and 4 years olds are available in every community.

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.³⁶ 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.³⁷

The OECD's *Education at a Glance 2022* report shows that from 2005-2020 Australia's enrolment rate, measured according to OECD standards, improved from 77% to 82% of 3-5 year olds, but still lags behind the OECD average of 87% and the European Union average of 91%.³⁸ 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%.³⁹ 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%.⁴⁰

³⁶ [https://www.oecd.org/education/EAG2014-Indicator%20C2%20\(eng\).pdf](https://www.oecd.org/education/EAG2014-Indicator%20C2%20(eng).pdf)

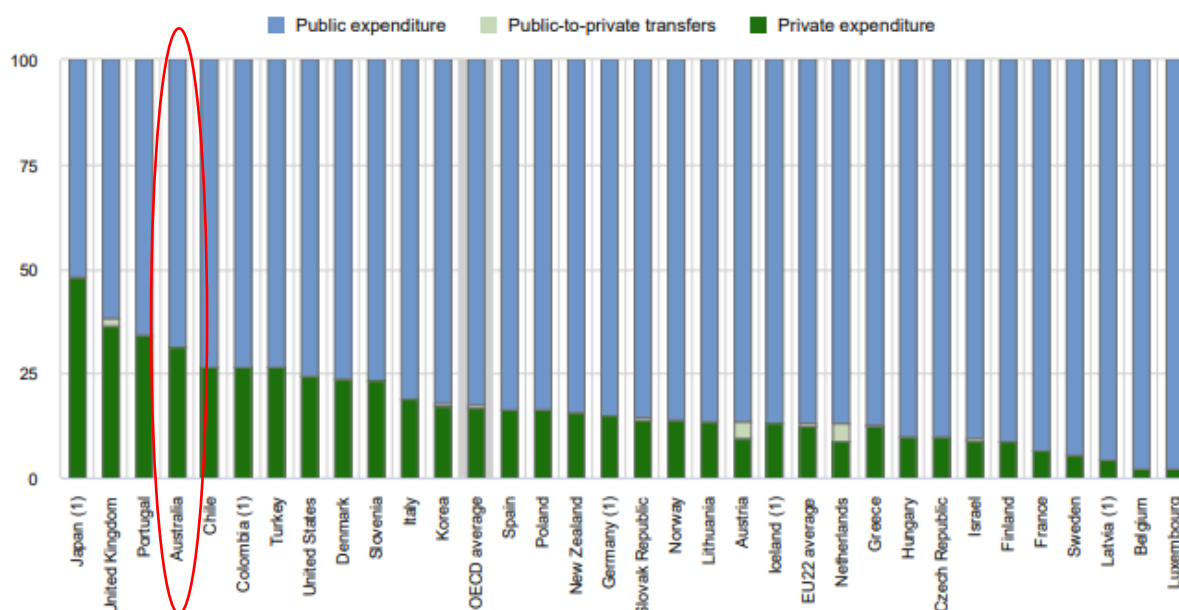
³⁷ Mitchell Institute - two years are better than one

³⁸ OECD, *Education at a Glance*, 2022, Figure B.2.1, p.170.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

Figure 5: Distribution of public and private expenditure on educational institutions in pre-primary education⁴¹



Australia is similarly behind when it comes to public investment 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. Enrolments in private preschools in Australia are almost triple the OECD average and private expenditure on ECEC is increasing. 86% of children are enrolled in private pre-primary institutions, almost three times higher than the OECD average of 33%.

Two years of preschool is best practice around the world

The AEU has 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.

Australia is still behind much of the world when it comes to funding early childhood education. World Bank data⁴² shows that the vast majority of countries provide two or three years of pre-primary education.

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.⁴³ 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."⁴⁴ It is resoundingly clear that Australia should be expanding early childhood education and introducing universal three year old access.

⁴¹ OECD, *Education at a Glance*, 2021

⁴² The World Bank, *Early Childhood Development*, retrieved from <https://www.worldbank.org/en/topic/earlychildhooddevelopment>

⁴³ (Fox et al, 2016 & Taggart et al, 2015) (AIFS, 2015; Sylva et al, 2010; US Department of Health and Human Services, 2010).

⁴⁴ (Fox et al, 2016

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)⁴⁵ 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.⁴⁶

The AEU calls for the 2023-24 Budget to deliver certainty for the pre-school 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 public 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.

TAFE

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

The AEU welcomed the \$1.1 billion in funding allocated to interim National Skills Agreements with State and Territory Governments and the emphasis on fee-free TAFE and places in areas of highest skills need and for targeted priority groups including first nations people announced in the October 2022 Budget. For the previous decade the TAFE sector in Australia has existed in constant crisis. Successive Australian governments failed to address this systemic under-funding, and market “reforms” have further damaged TAFE.

The deliberate and consistent funnelling of investment away from TAFE and towards private providers and the primacy of the contestable funding model over the past decade was a huge missed opportunity for the Commonwealth. We would again like to draw the Treasury's

⁴⁵ 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

⁴⁶ 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/>

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.⁴⁷

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.⁴⁸

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.
- 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.⁴⁹

⁴⁷ 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

⁴⁸ Pennington, *Op. cit.*, p.8.

⁴⁹ Pennington, *Op. cit.*, p.9.

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 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.”⁵⁰

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.”⁵¹

A strong TAFE sector is an essential for Australia’s skills growth

The AEU welcomes the Commonwealth Government’s commitment to TAFE as the anchor institution for Australia’s jobs and skills strategy, and the initial investment made in the 2022 Interim National Skills Agreement. Only TAFE provides the holistic education needed to achieve jobs for the millions of Australians who are unemployed, underemployed, looking to upskill or re-skill to prepare for an uncertain future.

As the trusted public provider, TAFE has a long history of forging strong partnerships with industry to create pipelines of skilled apprenticeships and job pathways, but it needs greater funding and greater autonomy to innovate.

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. There has never been a greater need for a high quality, well-resourced and trusted TAFE sector. The 2023-24 Budget provides an opportunity for the Commonwealth to guarantee the future of Australia’s TAFEs by ensuring the commitments made in the 2022 Interim National Skills Agreements are confirmed for the long term, which will in turn guarantee the massive ongoing economic and social benefits that properly funded public vocational education provides.

⁵⁰ Pennington, *Op. cit.*, p.8.

⁵¹ Pennington, *Op. cit.*, p.8.

For more than a decade Commonwealth VET policy has been based on a damaging and predetermined view about the inherent superiority of vocational education as a market and contestability as the most efficient way to operate that market. In reality, the impact of contestable funding on the sector has been catastrophic. Competition and contestable funding has flooded the market with inferior private providers. There are now over 4,600 active registered training providers, but only 96 of these providers have more than 100 full time students. It is plainly evident that quality cannot possibly be maintained at a system level when that system is populated by thousands of tiny individual private providers, some of whom have participated in recruitment and enrolment practices that can best be described as skirting the edge of legality.⁵²

A fully contestable unrestrained market for vocational education damages public TAFE as the costs of delivery and the breadth and quality of services offered are not the same as for private providers. TAFE delivers a much higher level of provision, at a significantly larger cost than the offerings of most private providers. TAFE has superior infrastructure, provides a higher level of pastoral care and guidance than the standard private RTO model and has made substantial historical and contemporary investments in forming and maintaining wide ranging community and industry links.

This is the very crux of the issue with contestability and with allowing private providers access to public subsidies. The market is not workably competitive because its actors are providing very different levels of service, with different aims. The inherent danger in contestable funding is that it doesn't interrogate the true cost of delivery by different types of organisations providing VET services and doesn't take account of the value and the benefits provided in return for that investment.

The AEU calls for the 2023-24 Budget to reflect the remove the incentive for the race to the bottom caused by contestable funding in vocational education, and we urge the Commonwealth to continue its commitment to TAFE.

TAFE campuses must be upgraded to accommodate the influx of new students

The prioritisation of public funding to TAFE and community providers means that TAFE campuses across Australia will now require significant additional capital investment. However, funds for capital improvements to TAFE campuses were noticeably absent in the October 2022 budget. The hundreds of thousands of new students who will now attend TAFE through the 480,000 fee free TAFE and vocational education places announced in 2022 will require improved and expanded campuses. Many TAFE campuses have been closed over the last decade and many more are in need of urgent upgrades. Over the last two years, the previous coalition government provided a paltry \$25 million a year for TAFE upgrades across all campuses nationwide (and only \$4.5 million of this was carried over to 2023.)

The AEU proposes that the 2023-24 Budget take the following steps to rebuild TAFE:

- Provide security to TAFE institutes and to TAFE teachers by ensuring that the funding of 70% of all public vocational education funding continues to be delivered to TAFE after the conclusion of the Interim Skills Agreements in 2024
- A significant capital works investment program is needed to match the significant funding commitment that the Commonwealth has made so that TAFE can accommodate the increase in student enrolments from this new funding and the

⁵² Bachelard, M., Cook, H., & Knott, M., (2015) *Vocational Education, the biggest get-rich quick scheme in Australia*, *Sydney Morning Herald* retrieved from <https://www.smh.com.au/national/vocational-education-the-biggest-getrich-quick-scheme-in-australia-20150916-gjqnqe.html>

additional funding to TAFE expected in the next National skills Agreement from 2024. Launch a co-ordinated effort to rebuild TAFE campuses through an immediate increased federal funding support and investment in infrastructure, equipment and staffing.

Conclusion

Fully funding public education will secure Australia's future

For almost three 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 significant disruption to their education.

That disruption came on top of almost a decade of deliberate underfunding of public education by the former Coalition Government. Substantial and sustained investment in public education is now required and the 2023-24 Budget must have a significant focus on building an equitable future. Now is the time for the new Commonwealth Government to act and to fund Australia's future, and the focus of this Budget should be 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. Investment in education returns many times its cost and accrues multiplying benefits across generations and investment in public preschool, schools and TAFE provision is one of the most effective economic levers available.

The 2018-2023 bilateral funding agreements have left public schools chronically starved of the necessary recurrent funding needed to strengthen Australia's public education system 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 was abandoned in the previous Commonwealth Government's response to COVID in favour of fly by night private provision, and three year old preschool remains unfunded federally despite overwhelming global evidence of the efficacy of two years of early childhood education.

The 2023-24 Budget presents a unique and historic opportunity to drive Australia's growth and to secure an equitable future for Australia through investment in public education by:

- Backing up the Government's commitment to get every school to 100% of SRS by lifting the 20% cap on Commonwealth contributions to public schools and ensuring that State Territory Governments meet their funding commitments which in turn will help to fix the teacher shortage crisis, increase equity and achievement and to provide over \$60 billion in ongoing annual benefit
- Implementing a significant ongoing program of capital works, including both maintenance and new school buildings for public schools to accommodate enrolment growth and provide deep stimulus to manufacturing, construction and dozens of other industries throughout the economy
- Cementing the huge gains made in the recently announced Interim National Skills Agreements to put TAFE at the centre of the skills 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.