Fully fund public schools to increase productivity

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Prime Minister Anthony Albanese says that increasing productivity is a priority for the Labor Government. A key component of increasing productivity is improving workforce knowledge and skills.

However, major barriers to improving Australia's workforce knowledge and skills include the large proportion of disadvantaged students who do not achieve an adequate level of education and the large achievement gaps between rich and poor.

Over 80 per cent of disadvantaged students attend public schools and they are massively under-funded.

Fully funding public schools will be fundamental to achieving Labor's goal of increased productivity and economic prosperity because money matters in education.

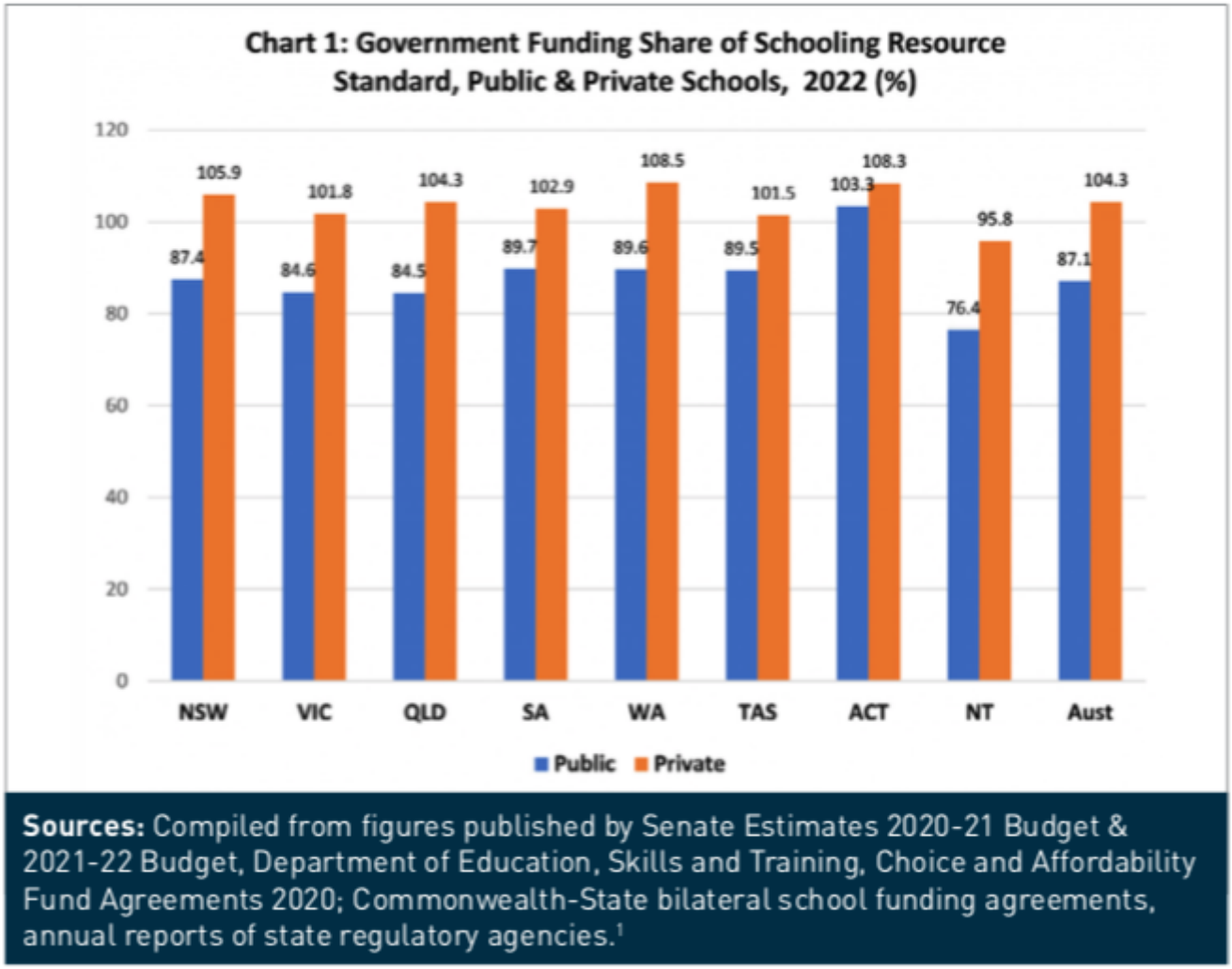
During the election campaign, Mr Albanese told the Australian Chamber of Commerce and Industry that a Labor Government would boost productivity by investing in workforce skills and training.

He re-affirmed the government's priority to increase productivity at the press conference following its first National Cabinet meeting. He said that developing a national skills plan is needed to create the jobs of tomorrow and overcome the skills shortage facing the economy.

There is extensive literature showing that education is strongly associated with higher productivity and economic growth.

One seminal study found that the quantity (years of schooling) and the quality (achievement) of schooling contributed significantly to economic growth across many countries in the last century.

Another seminal study showed that the quality of schooling is a major factor behind differences in national productivity growth.



Organisation for Economic Co-operation and Development studies also confirm education is an important driver of productivity growth. In addition, school education is a prerequisite for higher education which is also shown to contribute to productivity growth.

Similar findings have been made by Australian studies. For example, a report to the federal government by Deloitte Access Economics found that increasing education attainment to Year 12 and beyond school leads to a more productive workforce and increased economic growth.

These studies show that years of schooling and achievement at school matter for productivity and economic growth.

Yet, a significant proportion of students do not complete Year 12 and do not achieve national literacy and numeracy benchmarks.

The Report on Government Services 2022 shows that nearly 30 per cent of low socio-economic status (SES) students did not complete Year 12 in 2021.

The 2021 NAPLAN report shows that nearly 20 per cent of Year 9 students of low education parents did not achieve the national reading and numeracy benchmarks and 40 per cent did not achieve the writing benchmark.

One-third of Indigenous students did not achieve the reading benchmark, one-fifth did not achieve the numeracy benchmark and nearly 50 per cent did not achieve the writing benchmark.

In addition, there are large attainment and achievement gaps between advantaged and disadvantaged students.

Only 72 per cent of low SES students completed Year 12 compared to 82 per cent of high SES students.

Year 9 students of low educated parents are more than two years behind students of high educated parents in reading, writing and numeracy. Indigenous students are about three years behind.

Large disparities in school outcomes are a measure of the potential to improve workforce skills and productivity.

For example, a study published by the US National Bureau of Economic Research shows that bringing all students up to a basic level of education increases work force skills and economic growth.

This requires money. Twenty-six studies since 2015 have shown that increased expenditure on schools improves student outcomes, especially for disadvantaged students.

All this research on the relationship between school education and productivity growth sets a clear direction for education policy and funding by the Labor Government.

Increasing school outcomes for disadvantaged students will not only improve their life chances but will increase Australia's productivity growth and economic prosperity.

Over 80 per cent of disadvantaged students are in public schools and 98 per cent of all disadvantaged schools are public schools.

Yet, public schools are vastly under- funded for the challenges they face.

At present, public schools in all states except the ACT are funded at less than 90 per cent of their Schooling Resource Standard (SRS) while private schools are funded at above 100 per cent of their SRS in all states except the Northern Territory (see Chart 1).

Public schools will remain at less than 91 per cent until at least 2029 and 2032 in the case of Queensland. Public schools in the Northern Territory will be only funded at 75 per cent of their SRS by 2029 (see Chart 2). In contrast, private schools in all states except the Northern Territory will remain funded at above 100 per cent of their SRS until 2029.

The under-funding of public schools amounts to nearly $7 billion a year. The cumulative under-funding of public schools will amount to about $53 billion over the period 2022 to 2029. NSW public schools will be under-funded by $14.9 billion, Victorian public schools by $13.5 billion and Queensland public schools by $13.3 billion (see Chart 3). In contrast, private schools will be over-funded by about $5.3 billion over the period.

For the last nine years, the role of the Commonwealth Government in school funding under the Coalition was to support inequity and privilege in education rather than equity. This was done through multi-billion dollar special deals for private schools.

It is unconscionable that the school sector which accounts for a small minority of disadvantaged students is over-funded while public schools, which account for the vast majority of these students are massively under-funded and will remain so for the rest of the decade. Apart from reducing the life chances of many students, this misdirection of funding has served as a barrier to increasing national productivity and economic growth.

Labor was practically silent on funding for public schools during the election campaign. It needs to stand up for public education while in government. In his speech to the Chamber of Commerce, Mr Albanese said that "Labor will always look after the disadvantaged". It is time to make this a practical reality if he is serious about increasing productivity. It must ensure that public schools are fully funded at 100 per cent of their SRS within the next four years.

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