Economic benefits of investing in public schools

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New analysis from Jim Stanford, Economist and Director at the Centre for Future Work at the Australia Institute, has highlighted the large economic, social, and fiscal benefits from funding public schools to 100 per cent of the Schooling Resource Standard (SRS).

The analysis, *Leaving Money on the Table: Foregone Economic Gains from Continued SRS Underfunding*, reveals the economic costs of the Albanese Government's current offer to states and territories of a 2.5 per cent increase in its SRS contribution, to 22.5 per cent, instead of a full 25 per cent.

AEU Federal President Correna Haythorpe said: "While we know that increasing investment in public schools is critically important for teachers, students and families, this analysis highlights the economic benefits to the Albanese Government and the nation, and it profiles the real costs of a failure to provide a full 25 per cent."

Jim Stanford finds that by increasing its SRS contribution from 20 per cent to 25 per cent, the Commonwealth would offset about half of the current funding gap for public schools (with the rest resulting from state funding shortfalls). Increasing Commonwealth support to 25 per cent of the SRS would generate significant benefits, including:

- Total Gross Domestic Product (GDP) gains of $7.1 to $9.9 billion annually after 20 years.
- Over 17,000 new jobs.
- A total $2.7 billion in GDP gains from expanded public school activity.
- Improvements in school completion rates of between 1.5 and 2.5 percentage points.
- Cumulating improvements in wage income of $1.0 to $1.7 billion annually after 20 years, and cumulating improvements in GDP from higher labour productivity of $2.3 to $3.7 billion over the same time.
- Ultimate social and fiscal savings of $2.0 to $3.5 billion annually.
- A net fiscal gain for the overall government revenue of $1.2 to $3.0 billion.

However, the Albanese Government has currently offered only to fund 22.5 per cent of the SRS. Should the government continue to refuse to increase its share to a full 25 per cent, the costs will not only be borne by public schools, teachers and students, but by the nation, which would be deprived of many of the significant economic benefits outlined above.

A continuing 2.5 per cent gap in the SRS share would squander:

- Total GDP gains of $3.5 to $4.9 billion annually, a long-term economic payoff 2.7 to 4 times bigger than the annual investment.
- Approximately 8,400 new jobs.
- A total $1.3 billion in lost annual GDP gains from expanded public school activity.
- Improvements in school completion rates of 0.8-1.2 percentage points.
- Foregone improvements to wage income of $500 to $800 million after annually 20 years, and foregone GDP improvements from higher labour productivity worth $1.1 to $1.8 billion.
- Foregone annual social savings of $1.0 to $1.7 billion through lower welfare and health costs.
- Lost net fiscal benefits for the overall government sector of $0.6 to $1.5 billion.

The paper concludes: “In short, government effectively ‘profits’ from fully funding public schools” and that: “The failure to fully fund public schools is clearly a case of false economy. The relatively small amounts of money ‘saved’ in the near term, are more than offset by long-run underperformance according to numerous indicators: school attainment and completion, productivity, GDP and fiscal balances. The Commonwealth government is leaving money on the table, with its failure to fully meet SRS funding requirements.”

“This is money the federal government is quite literally leaving on the table, through its continued underfunding: governments’ own revenue position will ultimately be weakened, not strengthened, by refusal to fully fund public schools.”

This is a wake up call to the Albanese Government. Investing in public schools not only delivers high quality teaching and learning experiences for students and staff but it is good for the nation. There is much to be lost if governments fail in these negotiations. The cost for Australia’s students and for the economy are untenable.

Authorised by Sally Dennis, General Secretary, The State School Teachers' Union of W.A.