Australian Education Union

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28 January 2021

Budget Policy Division
Department of the Treasury
Treasury Building
Langton Crescent
Parkes ACT 2600

Email: prebudgetsubs@treasury.gov.au

Dear Sir/Madam,

Re: AEU Pre-Budget submission to the Department of Treasury on priorities for the 2021-2022 Budget

Please find attached the Australian Education Union's submission in response to the invitation from the Minister for Housing and Assistant Treasurer to provide a pre-Budget submission on our priorities for the 2021-22 Budget.

Please contact me if you have any questions in relation to this submission.

Yours sincerely,

SG Hopgood

Susan Hopgood
Federal Secretary

Australian Education Union

Pre-Budget Submission
to the
Department of Treasury on Priorities for the
2021-22 Budget

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Australian Education Union
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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 throughout 2020, and further to the AEU's recent submission for the delayed 2020-21 Budget, we welcome the opportunity to again present our views on priorities for the 2021-22 Budget.

We note the Government is seeking pre-budget submissions in order to "contribute to the next phase of the Morrison Government's Economic Recovery Plan designed to create more jobs and secure Australia's future."[1] 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 believes the proper funding of public education through a needs-based, sector-blind model that incorporates full funding of the Schooling Resource Standard (SRS) provides the basis for fairness and equality of opportunity in education. As such, it should be seen as a sensible and responsible investment rather than viewed in a reductionist way as a cost that must be contained.

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 three years since the *amendment* there has been further destruction of the original aims and focus of the 2013 Act. The $3.6 billion of additional funding to private schools over ten years from 2020 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

[1] The Honourable Michael Sukkar MP, *Media Release: 2021-12 Pre-Budget Submissions*, 27/11/2020

are neither needs based nor sector blind. In addition, the failure to honour signed National Education Reform Agreements (NERA) that states and territories had made with the Commonwealth 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 next decade that will now, under the new National School Reform Agreements, not be provided.

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.[2] Additionally, the provision of an additional $3.4 billion to private schools to transition to the Direct Measure of Income over the next decade further entrenches the inequity of school funding arrangements.

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.*[3]

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.[4]

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,

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

[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.aeufederal.org.au/application/files/5016/0393/4220/The_Schooling_Resource_Standard_in_Australia.pdf

Skills and Employment's (DESE) own SRS and enrolment growth projections[5] 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 from 2020 to the conclusion of the National School Reform Agreement and its associated bilateral agreements in 2023 the total underfunding of public schools will reach $19.0 billion dollars.[6] At the same time, private schools will receive government funding above 100% of the SRS totalling nearly $1 billion dollars.

Table 1. Annual Public Funding for Schools – Above or Below School Resourcing Standard (SRS)[7]

	2020	2021	2022	2023	Cumulative Total
Public	**-$ 4,872,181,854**	**-$ 4,879,707,969**	**-$ 4,714,517,971**	**-$ 4,514,714,035**	**-$ 18,981,121,830**
NSW	-$ 1,469,388,458	-$ 1,425,227,560	-$ 1,353,904,646	-$ 1,275,297,677	-$ 5,523,818,342
VIC	-$ 1,460,557,476	-$ 1,419,631,974	-$ 1,332,984,043	-$ 1,238,814,907	-$ 5,451,988,399
QLD	-$ 1,232,583,193	-$ 1,256,589,096	-$ 1,262,016,499	-$ 1,264,523,232	-$ 5,015,712,021
SA	-$ 230,740,185	-$ 216,430,997	-$ 206,976,911	-$ 188,790,247	-$ 842,938,340
WA	-$ 265,807,225	-$ 342,166,498	-$ 327,208,168	-$ 288,544,182	-$ 1,223,726,073
TAS	-$ 75,567,859	-$ 74,410,812	-$ 71,955,975	-$ 70,271,426	-$ 292,206,072
ACT	$ 41,630,692	$ 34,453,986	$ 25,435,688	$ -	$ 101,520,366
NT	-$ 179,168,151	-$ 179,705,018	-$ 184,907,417	-$ 188,472,363	-$ 732,252,949
Private	**-$ 332,390,091**	**-$ 82,349,522**	**$ 602,479,656**	**$ 791,573,805**	**$ 979,313,848**
NSW	$ 32,703,364	$ 106,509,264	$ 300,768,987	$ 366,880,256	$ 806,861,871
VIC	-$ 177,061,874	-$ 103,310,735	$ 53,868,192	$ 118,362,025	-$ 108,142,391
QLD	-$ 30,914,812	$ 9,180,605	$ 161,675,842	$ 180,181,271	$ 320,122,906
SA	-$ 57,006,136	-$ 36,130,363	$ 13,322,822	$ 31,483,097	-$ 48,330,580
WA	-$ 80,739,873	-$ 47,472,438	$ 58,681,535	$ 75,726,901	$ 6,196,124
TAS	-$ 15,341,047	-$ 10,234,620	$ 2,795,207	$ 7,081,927	-$ 15,698,533
ACT	$ 24,599,925	$ 22,192,607	$ 21,350,778	$ 17,715,928	$ 85,859,239
NT	-$ 28,629,639	-$ 23,083,842	-$ 9,983,707	-$ 5,857,601	-$ 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.

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).

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.

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

[7] Rorris, *Ibid.*, p6

Table 2. SRS Funding for Private Schools is above SRS levels by 2022, Per Student[8]

	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

Table 3. .Underfunding of Public Schools - Per Student Spending Below the Minimum School Resourcing Standard[9]

	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:

[8] Rorris, *Ibid., p.6*
[9] Rorris, *Ibid.* p7.

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.[10]

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.

Table 4. Capital Depreciation Tax – amount of funds deprived per public school student[11]

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.[12] 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.[13]

[10] Rorris, *Ibid.,* p8
[11] Rorris, *Ibid.,* p9
[12] Rorris, *Ibid.,* p9
[13] Rorris, *Ibid.,* p9

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.[14]

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.[15]

The increases in mean performance are 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:

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

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

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. [16]

In order to address this socio-economic segregation an immediate injection of funds to bring all public schools to 100% of SRS is urgently required. An investment such as this will not only assist schools in helping students who may have experienced learning 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[17]

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

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

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

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.

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[16] 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

[17] 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

Total public school enrolments have increased by 300,019 students from 2009 to 2019, an increase of 13.1%, with the majority of this increase in primary school enrolments which will soon flow through to all levels of schooling.[18]

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

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.*[19]

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." [20]

[18] 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, 2018*, retrieved from https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02018?OpenDocument
[19] 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
[20] Deloitte, *Ibid.* p.12

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[21]

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 building 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 stimulus value to the economy - it will provide immediate stimulus in terms of the construction and manufacturing required to build new schools, and it will flow on to house building, retail employment growth as communities congregate around these new schools.

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

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.

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

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

During the initial COVID-19 related period of remote learning Federal Education Minister Tehan invoked the impact of remote learning on economically disadvantaged and vulnerable students, stating that it "will be the vulnerable, poor, remote and Indigenous students who suffer the most."[22] The Minister is correct that an extended period of remote learning under current funding arrangements and without additional and targeted support would have impacted on vulnerable students 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 nearly seven years steadfastly ignored the plight of these students by failing to implement the original Gonski funding model and by refusing to lift the arbitrarily imposed 20% cap on Commonwealth contributions to recurrent funding for public schools.

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

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

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 recent report extrapolated from 2016 census figures showed that there are approximately 125,000 Australian students who did not have internet access at home (including via mobile devices or games consoles) and that public school students were more than twice as likely as either Catholic or independent school students to have no internet access at home. Further, there were over one million public school students in the bottom third of family incomes and almost 325,000 public school students in very low income families (just over 80% of the total).[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 vulnerable and disadvantaged students is urgently needed to identify the unmet need and to bridge the

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[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

[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

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

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

A bold investment in public school funding, buildings and equipment is urgently needed to achieve an improvement in equity of provision and student achievement that not only leads to better life outcomes for individual students but enormous long term benefits to society, the economy and the entire country.

Early Childhood Education

This Budget presents an opportunity to provide future certainty for preschools, their employees and parents

The OECD's *Education at a Glance 2020* report shows that from 2010-2017 Australia's enrolment rate, measured according to OECD standards, improved from 74% to 84% of 3-5 year olds, but still lags behind the OECD average of 88% which has improved from 82% since 2010. [25] 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%.[26] 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%.[27]

Australia is behind much of the world when it comes to funding early childhood education. World Bank data[28] 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

[25] OECD, *Education at a Glance,* 2019, Table B.2.2, p.183.
[26] *Ibid.*
[27] *Ibid.*
[28] The World Bank, *Early Childhood Development*, retrieved from https://www.worldbank.org/en/topic/earlychildhooddevelopment

two years of preschool as standard, Australia is one of only eleven countries to offer a single year early childhood education.

The Australian Early Development Census (AEDC) reports that in the decade since the first Universal Access National Partnership (UANP) there has been a significant increase in early childhood education participation, which has directly benefited more than 2 million children and over a million families and contributed to reducing developmental vulnerability of children starting school [29].

Despite this significant improvement, there is still much work to be done. An extension of the Universal Access National Partnership (UANP) funding for 2021 was announced in May 2020 and the October 2020 Budget offered no further guaranteed funding beyond the 2021 calendar year. This approach of only guaranteeing funding of ECE one year at a time is in direct contrast to the strong recommendations of the Review of the UANP commissioned by Education Council, and conducted by management consultancy Nous Group.

The Review found that the short term nature of the 2021 extension (following from six pervious short term extensions) meant that preschools cannot currently plan and invest effectively and that means that "staff cannot be retained due to an inability to promise them longer-term employment, which in turn leads to higher turnover and associated administrative inefficiencies"[30]

Findings and recommendation from the Review's final report include:

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

[29] AEDC cited in cited https://www.cela.org.au/2019/09/17/national-partnership-at-risk/
[30] *Ibid.* p11.

- Non-renewal or a reduction of the Australian Government's preschool contributions would have significant consequences, including for access and quality. Investment must be continued to maintain.
- A reduction in funding would adversely affect preschool provision and participation, as well as workforce participation. There would be serious consequences for children, parents, the sector and its workforce, and other government programs.[31]

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

Table 5: Potential consequences of the Australian Government not renewing preschool funding[32]

The immediate consequences would likely include some or all of the following:

- A weakening of national leadership and stepping away from a unified set of agreed national objectives, and a de-prioritisation of a widely-accepted agenda for early intervention.
- A reduction in hours offered to children, including a potential reversion to 'baseline' provision of hours in some jurisdictions.
- Lower preschool participation, particularly in disadvantaged communities and rural and remote areas.
- Closure/ reduced access to government and NFP services, leading to increased use of CBDC programs and increased CCS payments.
- Reduced quality and/or increased fees in CBDC-based programs as services seek to compensate for loss of government subsidy towards the cost of an ECT and staff to meet NQF requirements.
- The inability of providers in some settings and areas to engage and retain qualified ECTs because of being unable to match conditions in other settings.
- Closure of services that are struggling with financial viability.
- Job losses due to reductions in hours offered and/ or service closures.

The longer-term consequences may include:

- Declines in school education outcomes, with consequences for employment, labour productivity and competitiveness.
- Decline in other indicators of economic and social development, with consequences for social mobility, citizen engagement, equity and the burden on welfare and justice systems.
- Reduced parental workforce participation, with impacts on skills supply and economic prosperity.
- Discontinuation of work to advance the evidence base.
- Significant weakening of national preschool policy development and coordination.
- A misalignment with broader trends across the OECD in this area.

The AEU has long called on the Commonwealth Government to guarantee ongoing permanent UANP funding for four year olds, and we welcome these findings and recommendations. There is strong evidence that quality preschool improves educational and other developmental outcomes. A decrease in funding would reduce preschool participation and could adversely affect workforce participation.", that and "Governments should enter into a new five-year National Partnership from 2021 to 2025, and transition to a National Agreement from 2026 onwards"."[33] We also support the recommendation that "Over the next five years, governments should resolve outstanding issues and prepare for more enduring funding arrangements from 2026"."[34]

There is mounting evidence that early childhood education is an area where a small investment can have a huge long term impact. A recent report by Price Waterhouse Coopers

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[31] *Ibid*. p1
[32] *Ibid*. p4
[33] *Ibid*. p1
[34] *Ibid*. p1

(PWC)[35] 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 these economic benefits demonstrated by PWC, 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, 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.[36]

All recent evaluations of current ECE funding practice, including the UANP Review, have recommended that funding is guaranteed long term. The AEU calls for the 2021-22 Budget to act on the recommendations of the UANP review report, the Chifley Research Centre study and in the independent review of early childhood education and services in Australia, *Lifting Our Game*[37], to deliver certainty for the sector, with a focus on the following three recommendation as a matter of urgency:

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

The annual total cost of these measures would be around one third of one percent of the total additional Commonwealth spending announced to support the economy in response to COVID-19,[38] and would provide many times that in flow on benefits in employment and increased economic engagement of parents and carers, and improved long term outcomes for children.

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[35] 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

[36] 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/

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

[38] Australian Government, *Economic Response to the Coronavirus*, retrieved from https://treasury.gov.au/coronavirus

TAFE

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

For years prior to the current pandemic, the TAFE sector in Australia has existed in crisis. The Mitchell Institute has recently reported that Australia's total investment in the VET sector is now at its lowest level in real terms since at least 2008,[39] and unless governments act urgently and decisively to restore the gradual and systematic erosion of TAFE funding, its role in the Australian education system is under threat.

Successive Australian governments have failed to address this systemic under-funding, and 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[40] 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'.[41]

The AEU's previous Pre-Budget submissions in 2019-20 and 2020-21 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 very recent release of 2019 VET funding data showed that:

- Federal government funding of VET fell by a further $123.1 million in 2019 in addition to $315 million from 2017 to 2018
- This is a decline of 4.5% in the last year and 14.2% over the last two years
- Total Federal Government spending on VET has fallen from $ 3.08 billion in 2017 to $2.64 billion in 2019 – a total decline of $438 million in just two years, on top of the cumulative cut of over $3 billion from 2013 to 2017.[42]
- Expenditure per person 15-64 has fallen again to $320 per person, from $424 per person in 2013 – a decline of 25% per person[43]

This deliberate and consistent reduction in investment in TAFE presents a huge missed opportunity for the Commonwealth. We would like to draw the Treasury's attention to a recent ground-breaking report from the Centre for Future Work at the Australia Institute that provides the first Australia wide analysis of the economic and social benefits of TAFE.[44]

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[39] Hurley, P., Van Dyke, N., *Australian Investment in Education: Vocational Education and Training*, Mitchell Institute, 2020, p. 3.

[40] Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra p86

[41] Business Council of Australia 2017, *Future-proof: protecting Australians through education and skills*, Melbourne, Business Council of Australia, p. 77.

[42] NCVER, *Government funding of VET 2019*, retrieved from https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2019

[43] Productivity Commission, *Report on Government Services 2020: 5 Vocational education and training, retrieved form* https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/child-care-education-and-training/vocational-education-and-training

[44] 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

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.[45]

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.[46]

[45] Pennington, *Op. cit.*, p.8.
[46] 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 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.”*[47]

The Centre for Future Work report concludes that Australia will squander the valuable demonstrated annual economic benefits of investments in TAFE institutes and limit our post-COVID-19 economic reconstruction if we do not act immediately to reinstate the funding and critical role of TAFE. It concludes “that if we want to continue reaping the benefits of a superior productive TAFE-trained workforce, we must repair that damage – and quickly.”[48]

A strong TAFE sector is essential for a recovery

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

In his address to the National Press Club on 26 May the Prime Minister referred to the “complexity of a vocational educational system that is clunky and unresponsive to skills demand… a funding system marred by inconsistency and incoherence with little accountability” and complained of “a lack of visibility of the quality of providers”. He also said “I’m very interested in investing more in a better system”. [49] What he didn’t acknowledge is that the overwhelming majority of inconsistent, non-accredited and poor quality vocational education in Australia is conducted by a myriad of tiny private, for profit Registered Training Organisations (RTOs). TAFE offers the highest quality of vocational education across all levels of qualification, with nationally accredited programs, long

[47] Pennington, *Op. cit.*, p.8.
[48] Pennington, *Op. cit.*, p.8.
[49] The Hon. Scott Morrison MP, *Transcript, Q7A, National Press Club, ACT 26 May 2020, p.7.*

standing industry links, and a highly qualified and experienced workforce of professional teachers and a national network of campus infrastructure. By contrast, the AEU has received reports that many private, for profit RTOs have simply shut their doors in response to the pandemic, abandoning students at the time that they needed the greatest support.

JobTrainer is short sighted and will provide little lasting benefit

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

Similarly, the rush to enrol people in JobTrainer funded short courses in conjunction with the simultaneous rush to cut regulations and delay audits in response to the pandemic by the Australian Skills Quality Authority (ASQA), 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 is 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

- 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.[50]

There must be a comprehensive national free TAFE offering

So far, the Commonwealth Government has relied entirely on state and territory governments to ensure the ongoing viability of TAFEs during this jobs and skills crisis, and the Prime Minister has now stated that future federal contributions will be contingent on state and territory funding. It cannot be left up to states/territories alone to provide 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.

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

Apprenticeships offered alongside TAFE qualifications offer a clear pathway from school to a career, unlike those gained through many private RTOs which may offer unaccredited fragments of qualifications and narrow traineeships, often with minimal ongoing support. However, the Mitchell Institute estimates new apprenticeships and traineeships will decline by 30% within two years. This equates to approximately 130,000 fewer new apprentices and trainees from the start of the pandemic to June 2023 (on top of the close to 200,000 already lost since 2013) and cites evidence from previous recessions that shows an amplified relationship between the unemployment rate and apprenticeship and traineeship figures. In the last two recessions, a 5 percentage point increase in the unemployment rate resulted in a 30% decrease in apprenticeship commencements. [51] The additional $1.5 billion apprentice 50% wage subsidy to employers announced in conjunction with JobTrainer in July is welcome, but offers no ongoing security to apprentices once they have completed their training. This subsidy should therefore be contingent on apprentices having their employment maintained for at least twelve months from the conclusion of their apprenticeship.

[50] 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/

[51] Hurley, P., 2020, *The impact of coronavirus on apprentices and trainees. Mitchell Institute for Education and Health Policy*, Victoria University.p.2.

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

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

A true strategy for workforce renewal can only be achieved through 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.

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 2021-22 Budget provides a unique opportunity for the Commonwealth to move from the support of its economic response to COVID-19 to the stimulus phase and to guarantee the future of Australia's TAFEs, and to guarantee a future for the massive ongoing economic and social returns that properly funded public vocational education provides. The Commonwealth Government must recognise the primacy of TAFE in order to achieve jobs for the millions of Australians who are unemployed, underemployed, looking to upskill or re-skill to prepare for an uncertain future. Only through strong support for TAFE can Australia address the critical shortage of 200,000 apprentices and the youth unemployment rate of 15% as it stands at the end of 2020.

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

- 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 training since 2013, including the nearly half a billion cut in 2018 and 2019 alone;
- 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 all government VET funding to TAFE.

Conclusion

The way forward to recovery

The revised total amount of $251 billion in direct economic support spent by the Commonwealth in response to the COVID-19 pandemic has so far focused predominantly on supporting businesses and individuals during a period of time when large parts of the economy had stopped entirely. MYEFO 2020-21 indicates that real GDP growth has rebounded strongly in the September quarter.[52] Now, a substantial economic stimulus program is necessary to embed the recovery from the unprecedented 2020 downturn.

Prior to the pandemic Australia had incredibly low public debt by international standards at around 20% of GDP, while many advanced economies consistently carried net debt loads of over 100% of GDP. Yet even with the additional debt that has and will be accrued to fund *JobSeeker*, *JobKeeper*, *JobMaker* and *JobTrainer*, Australia's net debt has reached only 34.5% in June 2020 and is expected to reach only 43.0% of GDP in June 2024[53] - still substantially lower than what was carried by most developed nations (including Japan, Italy, France, the U.S, the UK, Canada) and the EU average in 2019 prior to any additional stimulus or spending in relation to COVID-19. [54]

Despite the Treasurer's assertion that "what we borrow today we will have to pay back tomorrow", the Prime Minister's claim that borrowing to stimulate the economy is somehow akin to saving money on building a house and then "borrow[ing] the rest of the money to put a heated swimming pool on the roof"[55] and the frequent claims of those pushing austerity measures, it is widely recognised by economists that government debt is in no way the same as household debt and does not have be repaid in the same manner. The International Monetary Fund has recently concluded that for advanced economies like Australia, so long as GDP is growing faster than the interest rate, a large public debt is very sustainable. The size of the debt is irrelevant, what matters is the debt service cost, and the current extended period of historically unprecedented low interest rates is the perfect time to borrow to increase Australia's productive capacity. [56]

In the June 2020 economic and fiscal update the Treasurer emphasised that Australia's net debt is significantly below nearly every other advanced economy. The target rate for 10 year Australian Government bonds is 0.1%, and the annual repayment on debt is $16.9 billion each year- a 0.8% of GDP debt service cost.

As the Interim report of the Select Committee's Inquiry into the Australian Government's response to the COVID-19 pandemic notes:

> *The economic recovery measures announced in the government's recent budget are not enough to create jobs and restore the Australian economy to full employment. To make matters worse, the government signalled its intention to pull back on economic stimulus measures and focus on fiscal discipline once unemployment falls below 6 per cent. The committee urges the government to adopt further measures aimed at job creation.*[57]

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[52] 2020-21 Mid-Year Economic and Fiscal Outlook, retrieved from https://budget.gov.au/2020-21/content/myefo/download/myefo-2020-21.pdf

[53] *Ibid.*

[54] Dawson, E. & Lloyd-Cape, M., *Some Facts about Debt: A Per Capita Discussion* Paper, 2020, p. 5.

[55] The Hon. Scott Morrison MP, *Transcript, Q7A, National Press Club, ACT 26 May 2020, p.9.*

[56] Dawson, E. & Lloyd-Cape, M, *Op. cit*. p. 8.

[57] The Senate Select Committee on COVID-19, *First Interim report,* p.x111

The Select Committee then makes the interim finding that "the economy cannot afford for the Australian Government to prematurely withdraw fiscal stimulus measures and jeopardise the recovery."[58] It is extremely worrying that the Treasury has confirmed in the 2020-21 Mid-Year Economic and Fiscal Outlook that it intends to rapidly reduce the deficit by nearly three quarters in just four years, from nearly $215 billion in 2020-21 to $55.8 billion in 2023-24.[59]

If Australia is to continue its recovery and continue its return to growth following the economic shock of the last year, the upcoming 2021-22 Budget will have to direct significant and continued stimulus focus. This stimulus should be targeted 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 to fund Australia's future.

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

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

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

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[58] The Senate Select Committee on COVID-19, *Ibid.*, p. xxi
[59] 2020-21 Mid-Year Economic and Fiscal Outlook, retrieved from https://budget.gov.au/2020-21/content/myefo/download/myefo-2020-21.pdf