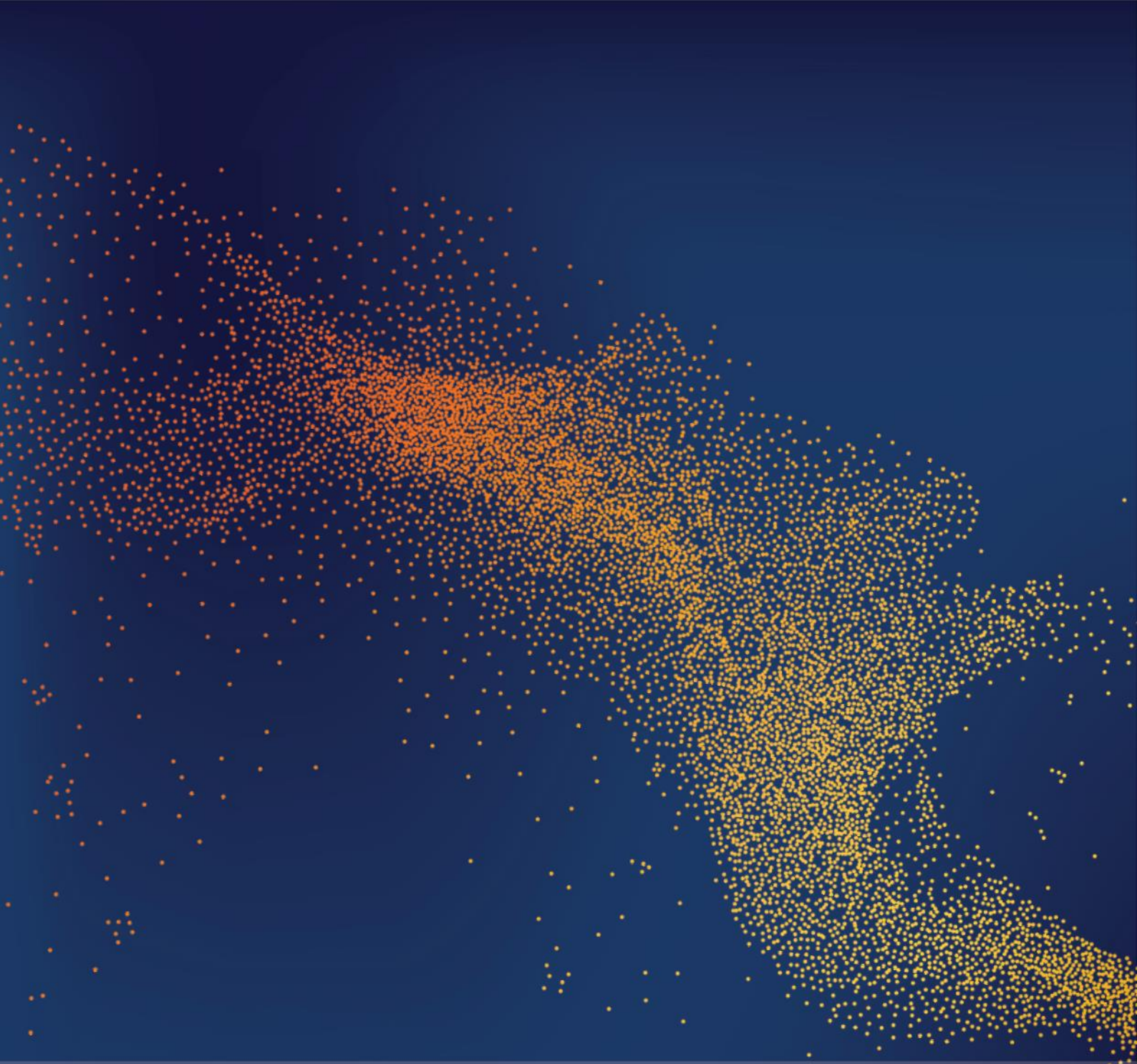

Australian School Structural and Governance Arrangements

Education Nation | 17 April 2019

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Contents

Executive summary

This paper seeks to explain and respond to the structural features of Australia's schooling system that are adversely affecting the educational experiences and outcomes – as well as the life chances – of a significant proportion of young Australians. The impacts are profound, not just for students and their families, but for communities, the economy and society at large. Those impacts are intergenerational and consequential for Australia's future as a prosperous, cohesive, democratic, and multicultural nation.

The paper has been auspiced by Education Nation and funded by the Paul Ramsay Foundation. It is an early contribution to a proposed program of work, the goal of which is to define, advocate and help implement a comprehensive school system reform agenda that once-and-for all addresses Australia's declining performance in education. The intent is not just to see an uplift in performance across all parts of the system, but to redesign our structures, policies and practices so that all children have equal chance to fulfil their potential and, in so doing, help Australia fulfil its.

Our current system is segmented, unfair and underperforming

The central thesis of the paper is that the current system can be best described as an 'unlevel playing field'. By this we mean that players (schools and families) are operating under different rules, such that they have different access to opportunities and resources. This differentiated access is not proportionate to need. Moreover, the playing field, rather than creating the conditions for interchange and learning among groups that reflect the full diversity of our society, increasingly promotes separate teams involved in their own separate games.

This situation is the result of a series of historical decisions, some of them blunders, many made in the heat of a crisis, and all moulded by prevailing political conflicts and agendas. It is not a set of arrangements that anyone would have set out to design, and it is virtually unique in the world in its distinct treatment of two publicly-funded sectors – government and non-government.

The vested interests that gave rise to the current system have only become more deeply entrenched since. This is because we have built structures – the funding, governance and regulatory arrangements for schooling – that reflect an ongoing conflict between two underpinning 'logics' or philosophies: one predicated on the principles of choice and competition, and one on the principles of providing universal access. The tension between these logics has produced and sustained a system of contradictions. It is one where we have:

- both free *and* publicly subsidised fee-charging schools
- schools lavishly funded *and* schools relatively impoverished
- schools permitted to select their students on grounds of capacity to pay and/or religious affiliation and/or academic performance *and* schools prohibited from doing so
- parents who choose to pay when often they cannot afford it *and* parents who can afford to pay choose schools that do not charge fees
- parents who are in a position to choose from a number of schools *and* others who have only one feasible option.

The structures have codified the uneven playing field, including by producing a situation where the three main sectors – the government, Catholic and Independent schools – are resourced differently. But it is the behaviour on the field that produces a different type of divide between certain schools and students. This divide at times takes on the appearance of segregation, and is widening, at least in terms of socioeconomic groupings.

'Behaviour' in this context refers specifically to the way in which some schools – if they can – recruit the best talent, and some parents – if they can – seek out the best school for their child. In both cases,

reputation is a key factor: schools that can will preference students with a strong academic record; parents who can will preference a school with a strong reputation.

The exercise of these powers (where available) works to sift and sort students so that they are, willingly or not, allocated to certain types of schools with certain types of people. Schools lose their socioeconomic diversity and often their cultural and religious diversity. More than that, we see a concentration of advantage and disadvantage that impacts on communities and on property values, which in turn reinforces the trends towards segregation of schools and neighbourhoods. This is illustrated in Figure 1.

Figure 1 | The dynamics of choice and selection and how they manifest in the segregation of schools and students

HIGH CHOICE/ SELECTION

- Selective government schools
- Higher fee-charging schools
- More limited public funding
- Highest-level SES cohorts
- Less within-school ethnic and religious diversity
- More out-of-area enrolments
- More families who have been able to 'shop' for schooling
- Schools select students based on criteria
- Urban and regional, but mainly urban

MIXED RULES & CONTEXTS

- Government schools with selective programs
- Moderate-low fee-charging schools (systemic non-govt)
- High-to-full public funding
- Generally higher SES cohorts
- Variable ethnic diversity, with some high concentrations
- More families who have moved to be in the zone of a high-reputation public school
- Mainly urban, some regional

NO CHOICE/ SELECTION

- No fees
- Not selective
- Fully publicly funded
- Lower–level SES cohorts
- Higher ethnic and religious diversity
- All in-area enrolments
- Urban, regional and remote

This dynamic speaks to the phenomenon of 'passive' choice and selection. Schools may not need to actively select students from a wider geography if the families in their vicinity have children who show all the typical traits of students from an 'advantaged' background. Families need not actively go 'school-shopping' if they have moved to a catchment zone for a public school with a strong reputation.

This issue is that, through such actions, these players in the system enforce a choice for those who cannot choose, for reasons of income, location and/or because their children lack what the selecting schools want. It is not so much a playing field with lots of bumps and dents; rather it is one that is tilted towards students who bring the strongest combination of social, financial and scholastic capital. It is tilted fundamentally because there are two different 'rule books' and funding regimes for the players.

This is not something we would expect to see in a country that prides itself on egalitarianism and a 'fair go' for all.

More recent reform directions have not touched on the fundamental, structural problems

The problem of segmentation and concentrated disadvantage has been observed for some time, particularly in terms of the persistence of three publicly-funded school sectors in Australia, and of the relationship between socioeconomic status (SES) and academic performance. Few have explored the extent to which this segmentation can manifest as segregation across a number of dimensions. Nor have

they delved deeply into the dynamics of choice and selection across the entire school system which exacerbate existing divisions and push families and schools to either end of the playing field – if not actively, then passively.

There are those that think more competition and choice is the answer to lifting overall school quality so that all benefit, but the OECD has consistently found that it is not. Others would look to 'needs-based' funding as the solution, and yet our performance continues to slide even as more public money is pumped into the system. Indeed, government funding to schools at the higher socioeconomic ranges has increased at around the same rate as the lower socioeconomic range. And it is still the case that students who need more resources are receiving proportionately less than those who do not.

Our contention is that no such reforms will make any positive difference while the dynamics of the unlevel playing field continue to empower some and disenfranchise others. More choice and competition will likely amplify the current trends towards socioeconomic and cultural segmentation. The playing field will continue to be tilted as long as barriers to enrolment enable certain schools to select who can attend their schools and others cannot, and while certain parents can enrol their child in their preferred school and others must contend with the circumstances they find themselves in.

The argument here is not a sectional one that sees government schools as inherently better than non-government schools (or vice versa), nor one that sees market mechanisms as inherently good or bad. Our purpose is to shine a light on the dynamics of the current arrangements that affect behaviour across the board and which, if unaltered, will continue to produce more socioeconomically and socially segregated schools and deeper inequities.

The costs and impacts of the current arrangements are wide-ranging and cumulative

To underline the extent of the problem, an OECD report ranked Australia as equal fourth-most socially segregated school system in 2015, with 51 per cent of disadvantaged students concentrated in disadvantaged schools. Australia also saw the largest increase in social segregation since 2006 among the countries in the study. It is not coincidental that this trend mirrors our decline in education outcomes as a nation over the same period, as there is evidence to suggest that concentrations of disadvantage within schools can have a depressing effect on the academic attainment of students.

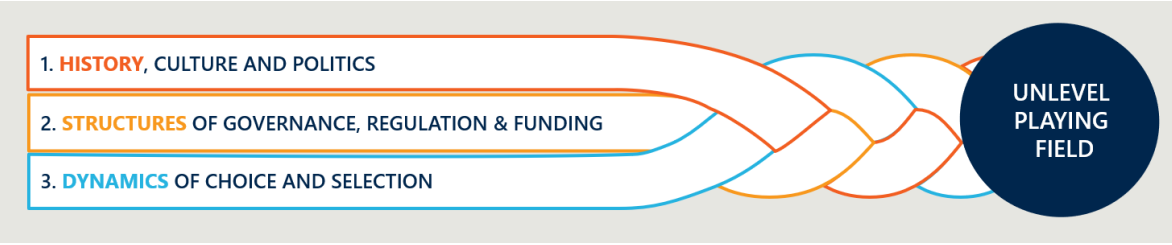
Less noticed but more worrying is that such segregation makes for a narrow social experience and hence an unsatisfactory social education, for it encourages the formation of relationships within groups rather than between them. This has consequences for the mindsets and capabilities of our students as well as our social cohesion as a nation. The costs are felt, too, in the way in which communities become more divided, which exacerbates the challenges for young people seeking to find a way out from a life that would otherwise steer them towards poor education and employment outcomes, and worse life chances.

The structure of this report

This paper is written in two parts. Part 1, with three sections, considers first the origins and ongoing cultural and political debates that have informed the school system design in Australia, before then describing the contemporary structures of governance, funding and regulation. The third section then looks at the dynamics of school choice and student selection – behaviours of the key players on the 'playing field'. These dynamics are enabled by the structural arrangements in place and enlivened by the politics and values whose roots can be traced back to the conflict between the post-1970s philosophies of supporting school choice and those predicated on a sharp distinction between church and state in the matter of public funding of schools.

In this sense the three sections, as illustrated below, intertwine to convey the three aspects of the problem of the unlevel playing field.

Figure 2 | The creation of the uneven playing field

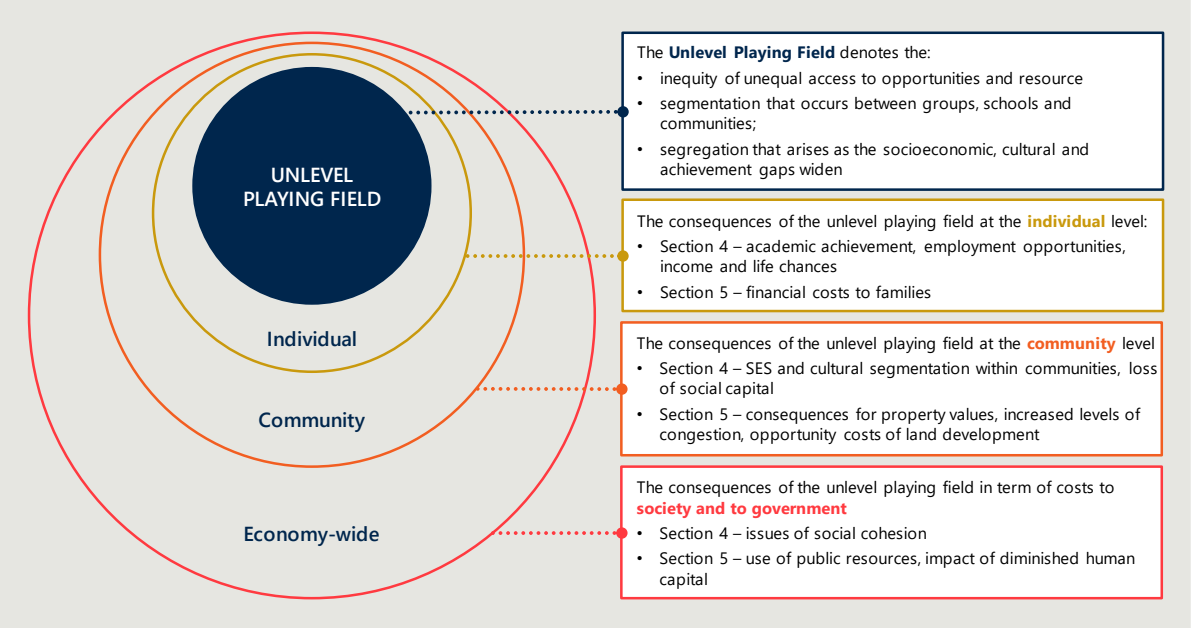


Part 2 of the report, with two sections, discusses the consequences of maintaining the unlevel playing field. Section 4 explores the social and cultural impacts where we look at the relationship between equity and system performance, as well as the social segregation and cultural divides that are a by-product of education system as it is currently designed. It is important to emphasise in this context that the cause of these divides is not the fact that we have three sectors (though how those sectors are differently regulated and funded is a key part of the problem). Rather, it is the growing segmentation between schools that can select students and those that cannot, and parents who can exercise school choice and those who cannot.

Section 5 then considers the financial costs for families, communities and the economy of the current arrangements. Here we comment on the extent to which families will go into debt to pay school fees, and consider how the dynamics of choice and selection lead those with means to move into the catchment zones of schools that have a positive reputation. This in turn raises property values, thereby excluding lower-income families. At the economy-wide level there are longer-term consequence to our competitiveness and productivity from a decline in our education levels, which is correlated with inequity and weighed down by concentrations of disadvantage. In the shorter term, there is a question about the extent to which government subsidies that impose costs on the rest of society, and on the people least able to bear these costs, is a good use of public resources.

The way in which we explore the social and economic consequence of the unlevel playing field is illustrated below.

Figure 3 | Consequences of the uneven playing field



A new approach – a 'third re-organisation' of schooling – is needed

Schooling takes up a large proportion of a child's life and is a major preoccupation for parents. The amount of public and private money invested in system is relatively high, and it employs a large swathe of the workforce. How we school our children both reflects and defines who we are as a nation and what we care about. Given all this, it is crucial to design a system that works best for us rather than continue to operate within legacy constructs that sustain unreconciled conflicts. It is the biggest nation building project we engage in.

The paper concludes by calling for a 'third re-organisation' of schooling to replace the legacy of the first (pre-1970s) and second (post-1970s) re-organisations. It accepts that structural reform is deeply challenging, particularly given the fraught political context of schooling policy. The goal, nevertheless, is to help in the comprehension of just how much is at stake – for families, communities and the nation in perpetuating the current arrangements.

Acknowledgements

This paper is the first of several contributions that we hope will further build the evidence base and produce policy options for re-organising our schooling system to perform better for all. We would like to thank the many people who have given us their time and insights to contribute to our thinking to date and to this paper.

In particular, Nous Group would wish to acknowledge Anthony Mackay, Dean Ashenden and Mark Burford as the instigators and guardians of this project. All three shaped the thinking and the argument throughout, and we are indebted to Dean for his detailed and engaging analysis of the historical, cultural and political forces that created both the system we have and the inertia that makes change so challenging.

We are grateful also for the contribution of Chris Bonnor, a co-author of several sections in the paper. Together with the work of the late Bernie Shepherd, much of his prior analysis of My School data and of the literature on schooling has been the basis for many of the arguments put forward.

The final version benefited greatly from a close review by Jordana Hunter, and feedback from Tom Greenwell, for which we are also highly appreciative. We wish to acknowledge, too, the helpful comments provided by Professors Adrian Piccoli and Pasi Sahlberg from the Gonski Institute for Education.

We thank the Paul Ramsay Foundation and the Foundation for Young Australians for their support throughout this project, and trust that it provides a useful basis for further work and, ultimately, action.

PART I:
THE PROBLEM OF AN UNLEVEL PLAYING FIELD

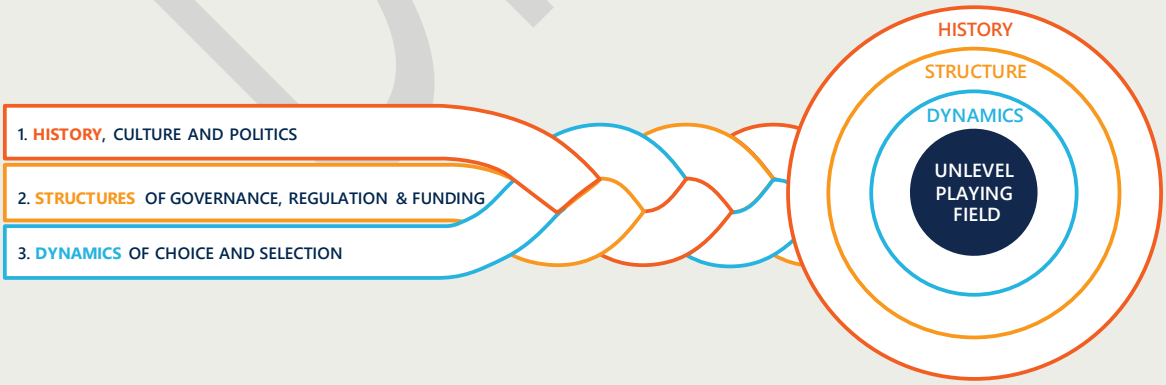
In this part of the report we focus on defining what we mean by an unlevel playing field by discussing how it emerged, how it has been consolidated and how it is perpetuated. The story is not an entirely linear or chronological one, as the circumstances that gave rise to the current system continue to inform all that happens in the system nowadays.

History, culture and politics – the subject of the next section – bequeathed us a three-sector system wherein all schools receive public funding, and in which Commonwealth and State Governments share responsibility.

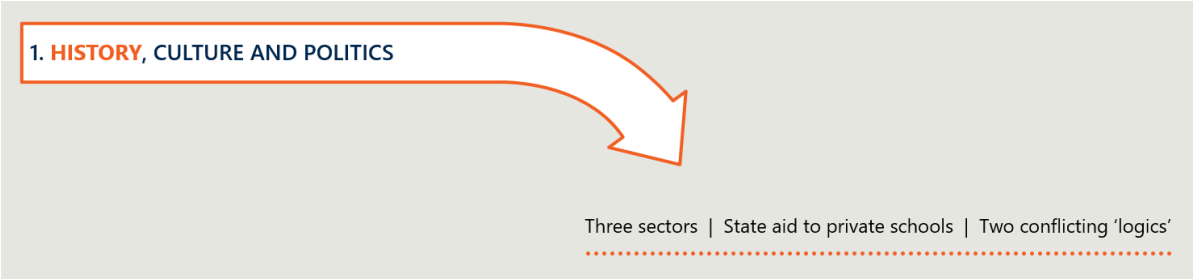
Section 2 describes the structures that enshrine the differentiated treatment of the three sectors – Catholic, Independent and government. It outlines how funding, governance and regulation enable (and to some extent incentivise) an unlevel playing field, which in turn produces an increasingly segregated system that is not only unfair for families and schools, but is bad for Australia's society and economy. These structures reflect an uneasy and unresolved tension between part of the system that is predicated on universal access and free schooling, and that which is predicated on choice and the autonomy of the non-government sectors.

Section 3 considers how the system, in whole, looks and feels different for different schools and families. It focuses on the degrees to which some schools can select students, while others cannot, and some families can exercise school choice and others cannot. The reason for this is both the structures and the values that drive behaviour. It is the dynamics of choice and selection that principally create a system which is not only segmented, but is increasingly segregated.

Figure 4 | The formation and sustainment of an unlevel playing field in school education



1 The construction of an unlevel playing field



Australia's school system is more a creature of history than the product of intentional design. It has gone through two major re-organisations that addressed pressing issues of the day and which, for some time produced a system that was high-performing and relatively equitable. But their legacy is a division between the three sectors, a commitment to publicly subsidise non-government schools, and an ongoing tension not just between competing vested interests, but between two 'logics': one predicated on school choice and autonomy as driving principles, and the other based on universal access and free provision. A more detailed discussion of the antecedents of our current school arrangements appears in Appendix A.

1.1 Australia has seen two major attempts to produce a single system for schooling

Australian schooling has seen two substantial re-organisations, the first beginning in the early 1870s and concluded in the 1890s, the second running from the 1950s to 1973. The first saw the emergence in each of the six states three school 'sectors', each with its own funding, administrative arrangements and clienteles:

- **a government system** – publicly funded, secular, open to all, and enrolling around three quarters of all students
- **a loose network of Catholic schools** – newly denied public subsidy and therefore dependent on modest fees and contributed services, free to select and exclude students, and catering to around one fifth of the total
- **a scattering of free-standing schools** – most affiliated with one or other of the Protestant denominations, also denied public funding and therefore fee-charging and selective, and often exclusive.

The second upheaval retained the three-sector system in each of the states, including differences in rights and obligations, but government subsidies ('State Aid') were restored to schools in the non-government sectors. During the second re-organisation, the Commonwealth Government became involved through provision of funding to all three sectors.

Both re-organisations aimed to produce a single coherent 'system', but delivered instead one that was clearly segmented and made more complex through the entanglement of the Commonwealth in funding non-government schools. It also left a legacy of religious schools being expected to maintain a high degree of autonomy from government control, notwithstanding their receipt of public subsidies.

Most importantly, the school system that emerged was one that sought to reconcile two competing 'logics' or organising principles for schooling in Australia, but only succeeded to create a friction between the two that continues to play out today.

The argument of this paper is that a third re-organisation, coming to terms with the two earlier re-organisations and learning from them, is now needed.

The first school re-organisation: 1870s – 1890s

Between 1820 and 1860 the number of British colonies on the Australian continent grew from two to six, and the European population soared from 30,000 to well in excess of a million. The provision of schooling was *ad hoc*. At one end of the spectrum it took the form of basic instruction provided by individual volunteers, and at the other, education organised by corporations for the children of the colonial gentry. The more organised schooling was delivered by people who were representatives of, or affiliated with, a church and there was no one church that was dominant.

Richard Bourke, the 1830s Governor of New South Wales, sought to inject order into schooling by subsidising all providers and proposing a curriculum combining secular with 'common Christian' elements. Bourke was supported in this by the Catholic church but not the other denominations. This pattern was repeated in other colonies, leaving the system – such as it was – to continue to operate flexibly but also chaotically. Schools cropped up in the lucrative areas, while other populations were left without.

After intense debate on how to develop a more coherent system, governments began to coalesce around the idea that the state should deliver education, and that it should be secular. Public schools would be built and run by new education departments answerable to a minister in the government of the day. All aid to any other schools would be terminated.

Over the objections this time of the Catholic church, legislation to abolish fees in public schools, withdraw the pre-existing subsidies ('State Aid'), and establish centralised education departments was introduced in each of the colonies. With a few exceptions all 'non-government' schools were cut off from public funding. The Catholics managed to maintain their schools by charging modest fees and using inexpensive or volunteer labour. The Protestant churches concentrated their focus on teaching children of the middle and upper classes, and their 'corporate' schools came to overtake the smaller private schools.

By the time of federation, a unique history, geography and demography had produced a distinctive organisation of schooling. It has also laid the foundation for strong cultural and class divides.

The collapse of the first re-organisation

For 50 years or more no-one could envisage a change to the status quo. "It would take nothing short of a religious revolution to alter the minds of Australians on this question", one commentator observed in 1937.[1] But the post- WWII baby boom and influx of migrants saw the numbers of Catholic children grow, while demand for more years of schooling grew as students from the working-classes began to continue into the secondary years. Church schools found it difficult to provide more schools and teachers while, at the same time, low-cost religious labour was becoming less available. By the late 1950s the Catholic school system was at the point of collapse.

What might now seem obvious solutions to this problem – including New Zealand's contemporaneous 'integration' of its own government and religious schools within the public system – were never on the Australian agenda. This reflects the politics of the time, which were coloured by the inter-relationship of the Labor Party and Catholic church.

Catholic Labor governments dominated at the state level post-WWII and were sympathetic to the re-institution of public subsidisation of non-government schools. But while they had constitutional responsibility for schooling, states had relinquished much of their taxation powers. They were also reluctant to re-open the bitter debate over State Aid (as was the Church). The solution was to offer targeted, less direct assistance such as aid to meet families' educational expenses, while stopping short of meeting staffing or building costs. Such 'work-arounds' produced a patchwork of arrangements around Australia into the mid-1950s.

[1] Quoted in Grundy D (1972), *Secular, Compulsory and Free: The Education Act of 1872*, Melbourne University Press, Melbourne.

Three related developments challenged the sustainability of these arrangements:

1. **The Labor Split** – Cold War fears of communist influence splintered the Labor Party into a largely secular or Protestant left faction and Catholic anti-communist right, with the latter leaving (in 1955) to form the Democratic Labor Party. In response, the Labor 'rump' revived its commitment to a free, compulsory and secular school education.
2. **The Goulburn 'strike'** – In July 1957, NSW's education department issued a 'certificate of efficiency' to a Catholic Preparatory School in Goulburn, conditional upon improvements to the boys' toilet facilities. As the parish was already heavily in debt, the bishop announced that the school might have to close. Negotiations ensued but, in the absence of an acceptable compromise, the bishop announced his intention to close down all six Catholic schools in Goulbourn. The state schools could only accommodate around a third of the 2,000 students that were to be displaced. State Aid thus became a central issue on the political agenda again.
3. **Prime Ministerial intervention** – the disunity in Labor presented and opportunity for Liberal Prime Minister Menzies. Shortly after the 'strike' he called an early election with a centrepiece policy of providing science laboratories to all schools, government and non-government alike. This challenged the previously-strong nexus between Labor and the Catholics.

The second school re-organisation: 1960s – 1973

Labor's defeat in the federal election in 1963 prompted a re-think of its views on school funding. Gough Whitlam (a rising star at the time) sought to shift the debate away from one focussed on religious versus secular schooling, and instead based Labor's new policy on ensuring equal opportunity for all. In place of the prevailing patchwork of indirect subsidisation of non-government schools, he advocated for a systematic, nationwide approach. This approach would see aid provided according to need, with the details to be worked out by a new Australian Schools Commission (the Commission).

Once elected in 1972, Whitlam appointed economist Peter Karmel as chair of the Commission. The 1973 'Karmel report' became the touchstone for school education policy for most of the next 50 years. Its arguments for improved teaching, a stronger curriculum, greater community participation and programs for disadvantaged schools, earned it praise. However, the Commission still faced the challenge of implementing Whitlam's plan for school funding, a plan that was fundamentally flawed.

On Karmel's advice, the three school sectors would continue to operate under the following terms:

- all would get support from both state and federal governments
- the government sector would be fully funded, and the other two partially subsidised and therefore would charge fees
- levels of funding to the non-government schools would be tied to parents' capacity to pay
- distribution of funds would be the responsibility of systems, meaning the states and the emerging Catholic Education Commissions
- parents would have the right to choose and, thanks to government subsidisation, choice would be more widely available.

The Karmel plan changed less than it seemed, however. The 'needs' approach apart, Whitlam had effectively followed Menzies in providing direct aid, to all schools, by the Commonwealth. Moreover, less than two years on, an economic downturn stemmed the massive outflow of federal funds needed to keep the many parties happy, and fissures re-appeared.

1.2 The post-1970s situation reveals the problems and limitations in the second re-organisation

While many thought the problem of State Aid had been resolved, others quickly replaced it, namely:

- **inordinate complexity combined with confusion of roles and responsibilities** – three sectors, each funded and controlled in its own way, two getting funds from three different sources (including fees), a total of seven governments, invariably at different stages of three-year electoral cycles and of differing political persuasions
- **the interaction of 'need', 'capacity to pay', and arguments about reducing fees** in the interests of broadening access. The new system was an invitation to gaming. State education departments and Catholic systems alike resisted Commonwealth efforts to attach conditions and purposes to funding and to enforce disclosure of where the money went.

Moreover, almost everyone had a legitimate basis for complaints first heard a century before. One side could insist that it was open to all and catered to most disadvantaged students and their families; it should take priority over schools that exclude. The counter: it was not fair that those who chose a faith-based education should have to pay, contributing funds that would otherwise have to come from the public purse.

Conflict over funding therefore returned and settled in to dominate, distort and ideologise public debate over schooling and its purposes for decades to come. With public subsidisation of 'private' schools[2] now enshrined, what were once desires, now became obligations. This meant that, should a government consider retreating from funding, the Church could more easily mobilise parents around the denial of a right to funding and/or fears of higher fees. Public funding for non-government schools had become more of a 'given' and the Commonwealth Government, having no constitutional responsibility, was nevertheless well-and-truly 'on the hook'.

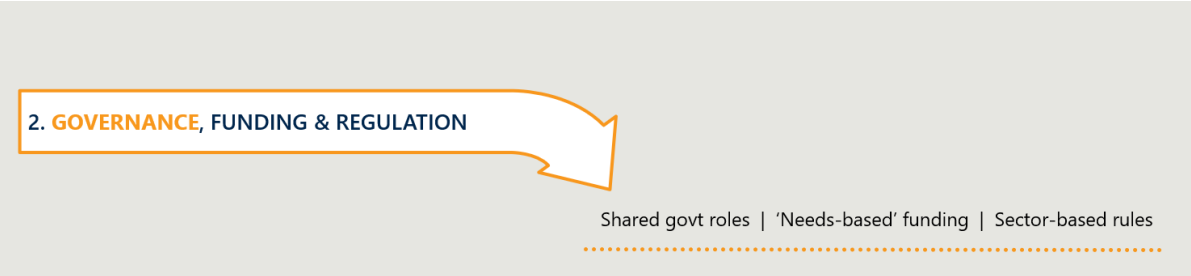
Another legacy of this period was the provision of subsidies with few strings attached. The non-government sectors were able to argue that autonomy from government was crucial to the integrity of their operations and appropriately preserved the separation of church and state. (Later this defence of autonomy took on the colour of greater personalisation of the school offering, and higher levels of innovation which were seen as a key to improvement in quality.) This has made it difficult to insist on transparency in how the funds are used by non-government schools, or to attach any significant conditions to the receipt of public funding. We discuss the issues of funding and regulation further in Section 2.

[2] Throughout this paper we refer to 'non-government' rather than 'private' schools given that all schools are publicly-funded to some degree.

Key points and implications

- The Australian school system has evolved organically, not by design, and has produced a structure centred on three distinct school sectors.
- The original purpose of non-government provision of schooling has shifted from 'meeting the needs of particular communities or cohorts otherwise denied access to schooling' to 'providing choice in the market'. This view has not only taken hold at the political level but has infused our values, assumptions and expectations as Australians.
- The strongly-entrenched positions of advocates of the three sectors, and the friction between the non-government and the government school sector over funding has deeply historical roots and also speaks to the extent to which those interests have variously become aligned with either of the two main political parties.
- The increasing role of the Commonwealth Government – while useful in addressing immediate problems and providing policy leadership – has added to the overall complexity and political dynamics, and has failed to deliver a system that is unified and coherent.

2 The consolidation of an unlevel playing field



The arrangements that emerged from the debates over State Aid have been hardwired into the governance, regulation and funding frameworks that we now have in place, and they are the focus of this section.

But first some context on the system as it appears currently. There are around 9,000 schools in Australia of different types and sizes – urban, regional and remote, small and large, faith-based and secular – with different specialisations (e.g. by cohort or curriculum) and services (e.g. boarding facilities and extra-curricular offerings). Recent years have seen the emergence of selective public schools. This is particularly the case in NSW, which has 47 selective schools (23 fully selective and 24 partially selective).[3]

In terms of the spread of schools across different geographies, urban areas are more likely to have more schools, both in absolute terms and relative to the number of students in the area (see Appendix C for more detail on this).

While we often think of schools being most appropriately defined in terms of the sector to which they belong (and this is something we will do throughout the paper, usually because that is the way that data is cut) the demographics of some schools in one sector have more in common with other schools in other sectors and vice versa. For example, a low-fee Independent Seventh Day Adventist school may have more in common with a nearby Catholic school than a high-fee elite school.

2.1 Governance arrangements reinforce divides

Governance of the school system refers to the roles and responsibilities of the school education system, particularly the divide between the Commonwealth and state/territory governments[4], as well as the differences in how the public and non-government sectors, and systemic and Independent schools are governed.

National school policy is set by education ministers from all jurisdictions, with some representation (in an advisory capacity) by the peak bodies for the Catholic and Independent sectors. The state education ministers are expected to represent the interests of all schools in their jurisdiction, but in practice they also head the delivery arm for government schooling in their state, which makes for a challenging situation should there be conflict between the sectors.

The Commonwealth Government can use its funding and policy levers to influence the national system but is constrained in doing so, given that it is not managing the workforce, infrastructure or education delivery. This is not to say that there is no effective coordination; rather that to achieve a truly national approach requires either the:

- use of arm's length federal institutions such as those for the national curriculum and maintenance of standards for school leaders

[3] Victoria has six selective schools, Queensland three, and Western Australia has one.
[4] Hereafter, the term 'state' should be taken to mean 'states and territories' unless otherwise indicated.

- painstaking negotiations among all jurisdictions, as each goes through different political cycles and deals with local issues requiring targeted responses (which may or may not be consistent with national priorities or directions).

One example of the policy variations at the state level concerns the question of autonomy. An important legacy of the evolution of our school system up to the 1970s and beyond was the principle that non-government schools would remain largely unfettered by government. The Catholic sector operates as a system within each jurisdiction, with relatively loose management of schools by the relevant State Catholic Education Commission. Independent schools (which include non-systemic Catholic schools) may align to certain peak bodies but are self-governing.

More recently, the notion of school autonomy has been adopted as an ideal – to varying degrees – among government school systems as well. This has seen the rise of 'independent public schools' in WA and Queensland, for example. The argument is that greater autonomy generates more innovation. While the OECD has found some evidence suggesting autonomy over curricula and assessment can improve performance, there is no clear relationship between greater autonomy over resource allocation (as we have in Australia) and greater student education outcomes.[5] [6] Governance and oversight of our schools therefore varies within and among the sectors.

2.2 Regulation enables differentiated treatment

Similarly, regulation differs for government and non-government sectors, and there is variation within each sector too. This is an important component of the 'unlevel playing field' that has emerged.

Rules common to all sectors and jurisdictions include compliance with national NAPLAN testing and provision of data for the My School website, and incorporation of the national curriculum. The differences in regulation between government and non-government sectors are most evident in:

- **Discretion over which students to enrol.** With some exceptions (single-sex schools and specialist curriculum schools) government schools are open to all, reflecting a principle of universal access. Where capacity is constrained, there are zoning rules that restrict eligibility to enrol. Non-government schools apply a range of filters on who they will enrol and can exclude or expel students who do not meet their standards or requirements.
- **Exemption from compliance with national regulations**. The *Anti-Discrimination Act 1991* allows religious schools to discriminate against someone in order to "avoid injury to the religious susceptibilities of adherents of that religion.[7] They are further allowed to discriminate on the basis of sex, sexual orientation, gender identity, marital or relationship status and pregnancy.[8] The *Fair Work Act 2009 (Cth)* also provides an exemption in cases where action is taken against a staff member to avoid injury to religious susceptibilities. These exemptions are currently a matter of debate in the Australian Parliament.
- **The remuneration and deployment of the teaching workforce**, with the government sector being more highly unionised and operating on standard terms and conditions. Recruitment and employment of new teachers is also more centralised, although decisions about placement are increasingly being made at the school level. However, some sources suggest that teacher pay at non-government schools often track state government pay agreements.[9]

Notwithstanding the financial stake that governments have in the two non-government sectors, Catholic and Independent schools do not have to meet the same requirements as government schools under

[5] OECD (2011), *PISA in Focus: School Autonomy and Accountability*, OECD, Paris.
[6] Eacott S (2015), *Perspectives: Does School Autonomy Lead to Improved Student Outcomes?*, ACEL, Sydney.
[7] *Anti Discrimination Act 1991*, s.33(2).
[8] *Sex Discrimination Act 1984,* s.38.
[9] Jamieson A (2013), *How much does an Aussie teacher earn?*, Crikey, Melbourne, accessed January 2019 at: https://www.crikey.com.au/2013/04/26/how-much-does-an-aussie-teacher-earn/.

Freedom of Information legislation and are subject to less public scrutiny. For example, it is not possible to obtain information on how the Catholic system allocates government funding across its schools.

Other differences at the school level relate to student welfare practices and the enforcement of dress codes. While relatively minor, they significantly impact public perceptions of schools, and thereby influence school choice (discussed further in Section 3).

These regulatory differences directly contribute to and sustain an unlevel playing field.

2.3 Funding does not reflect an alignment to need

Australian school funding arrangements also entrench the unlevel playing field, rather than mitigate its impacts.

Where funding comes from: a complex and highly politicised web

All schools receive funding from three sources: the Australian Government; the relevant State Government; and private sources, including from students' parents. The Australian Government is the dominant provider of public funds to the non-government sectors, while the States are largely responsible for funding government schools. The ratio of Commonwealth funding for non-government and public schools has been steadily increasing over the past dozen years or so from around a 70:30 split with the states towards an 80:20 split (which is legislated to be achieved by 2029).[10] Looked at another way, 86 per cent of the public funding that non-government schools receive comes from the Australian Government.

The Australian Government apportions its funding using a School Resourcing Standard (SRS) formula that is designed to give more funding to students and schools experiencing greater disadvantage. It reflects the estimated cost of educating a student, and incorporates additional 'loadings' to account for both individual characteristics of disadvantage (i.e. consideration such as a low-SES[11] or Indigenous background) or school factors (small size or more remote location) that add to the costs of education. The cost estimates for most non-government schools are then 'discounted' according to estimates of parents' capacity to contribute to their child's education in those schools. With government school funding, there is no comparable 'discount'.[12]

Figure 5 shows the flow of funding from private, federal and government sources into the three school sectors, and the relative reliance of those school sectors on those different funding sources. While the SRS formula informs the Commonwealth's overall funding envelope, States supplement this funding and distribute it according to their own assessments of need, though are obliged under national education agreements to maintain a minimum level of funding. The Catholic Education Commissions similarly have discretion to allocate the Commonwealth funds to schools within their respective jurisdictions.

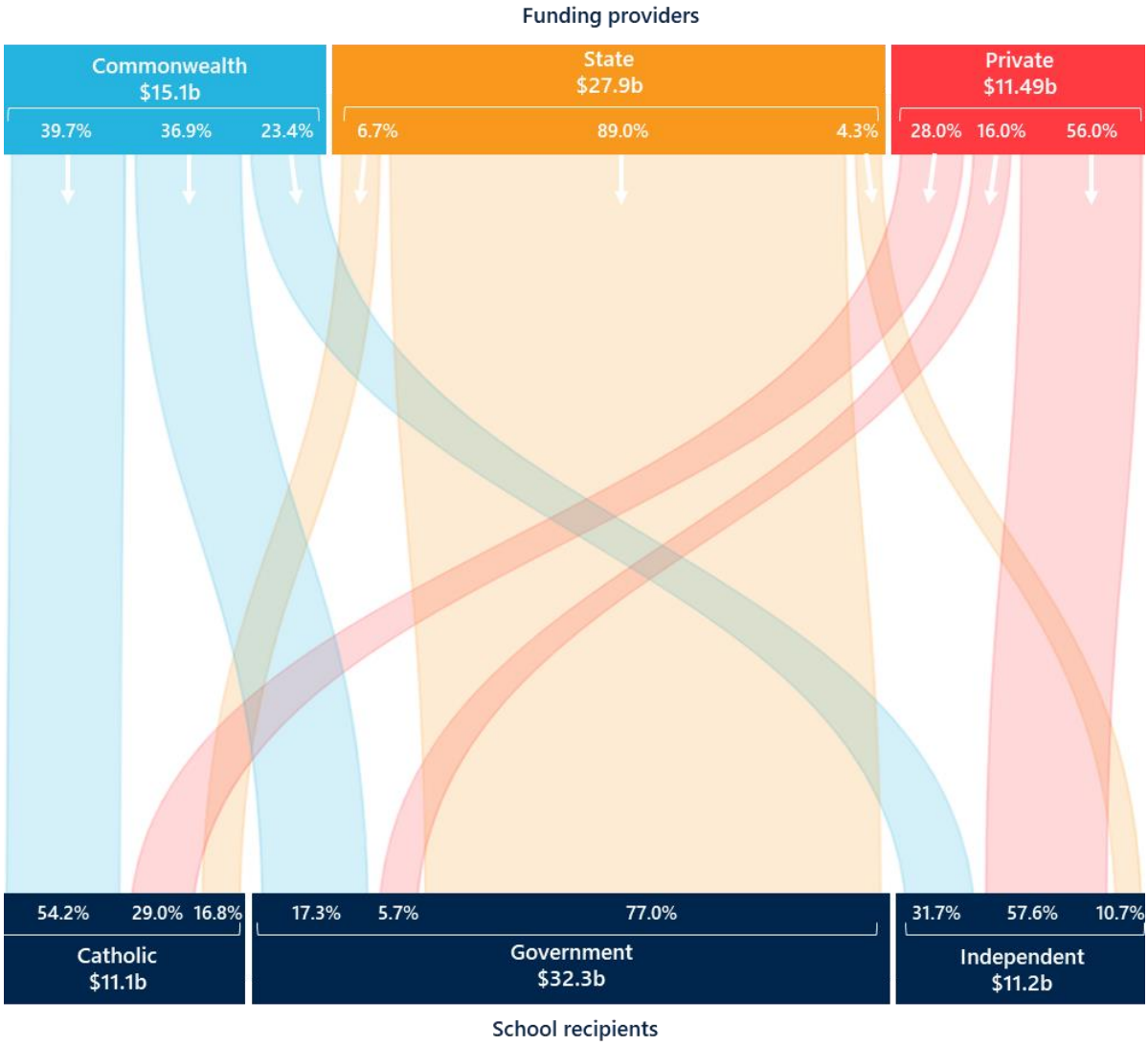
The use of formulas and ratios disguises the more complex and politically fraught process of negotiations that are the hallmark of Australia's federal financial arrangements. These negotiations extend beyond considerations of relative contributions to encompass the policy obligations and reporting requirements attached to the funding agreements which for the States, are more detailed and transparent than those attached to Commonwealth funding for non-government schools.

[10] Department of Education and Training, *How are schools funded in Australia?*, Australian Government, Canberra, accessed January 2019 at: https://www.education.gov.au/how-are-schools-funded-australia.

[11] SES refers to socioeconomic status. It is measured in different ways, most often using ICSEA scores. ICSEA refers to the Index of Community Socio-Educational Advantage.

[12] More specifically, the 'capacity to contribute' assessment does not apply to government schools, non-government special schools and special assistance schools, non-government majority Aboriginal and Torres Strait Islander schools, or non-government sole-provider schools. The higher the school's SES score, the more the *base* amount is discounted, up to a cap of 80 per cent of the *base* amount; no 'capacity to contribute' discount applied to the loadings.

Figure 5 | Flow of recurrent government funding to the school sector 2017[13]



Separate to arrangements governing provision of recurrent funding, States are responsible for funding all infrastructure and maintenance of public schools and can also provide capital grants to non-government schools. While capital expenditure for non-government schools is usually privately funded, the Australian Government maintains a large fund for non-government schools to access in support of their infrastructure development projects. Some $145m in Commonwealth funding is committed to such projects in 2019.[14]

Private contributions to both government and non-government schools mainly comprise fees from parents but can also include other donations – financial and in-kind – from philanthropists, businesses or other organisations. Such revenue must be consistent with the obligations of non-government schools to operate on a not-for-profit basis. Contributions to building funds are often tax-deductible (meaning that they create indirect costs to the Australian Government).

Parents' contributions are typically a mix of compulsory fees, including administrative fees for public schools, and voluntary contributions. Fees for the majority of government schools[15] fall between $174 and

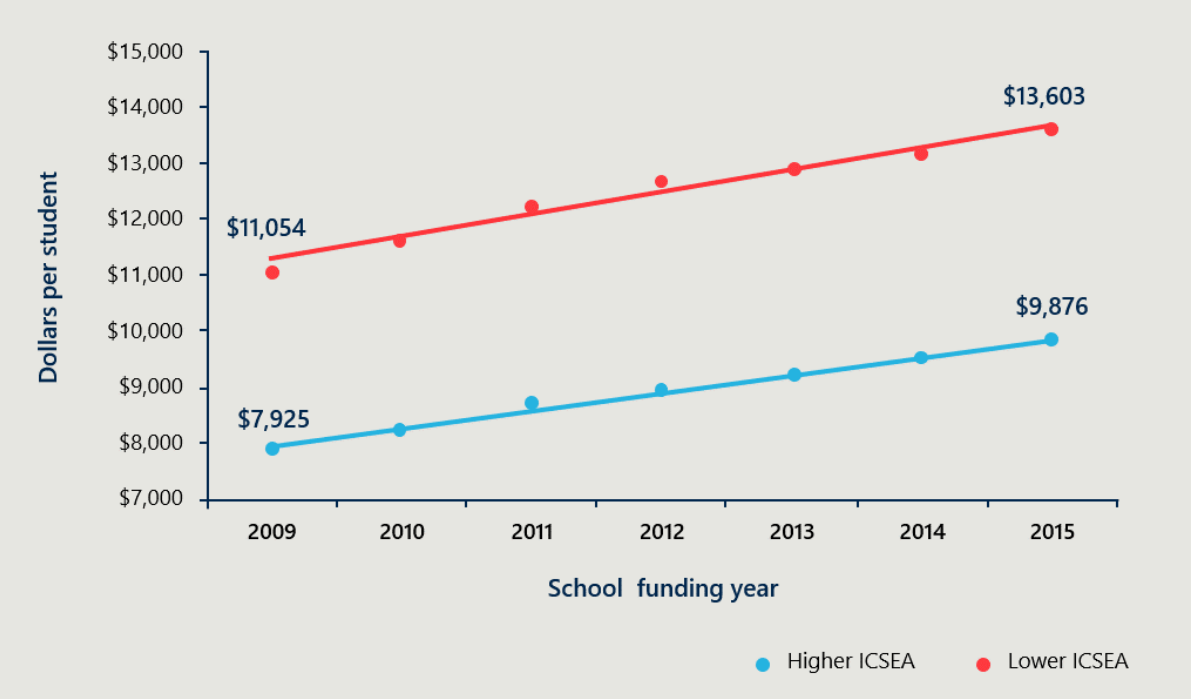
[13] My Schools database (2017).
[14] Australian Government Department of Education and Training (2018), *Australian Government Capital Grants Program (CGP) for non-government school: 2019 CGP projects*, Department of Education and Training, Canberra.
[15] These ranges reflect the second and third quartile of contributions, fees and charges for government schools from My Schools data.

$524 per year. Low-income families are often able to access financial assistance – for example to cover the administrative fee component or school transport costs.

Needs-based funding has not 'evened out' per-student resourcing levels

The needs-based funding model has done little to 'even out' the unlevel playing field. Rather it is inadvertently perpetuating a system wherein high SES students are better off than their low SES counterparts. Figure 6 illustrates this by showing that, since 2009, government funding per student has changed little for lower ICSEA schools compared to their higher-ICSEA counterparts. The former rose on average 23 per cent per year ($424) between 2009 and 2015. During that same period, per student funding for high ICSEA schools increased by 25 per cent ($325). While low ICSEA schools do receive more government funding, it shows there has been no significant shift over a six-year period.

Figure 6 | Government-sourced income per student, sample schools 2009-2015[16]



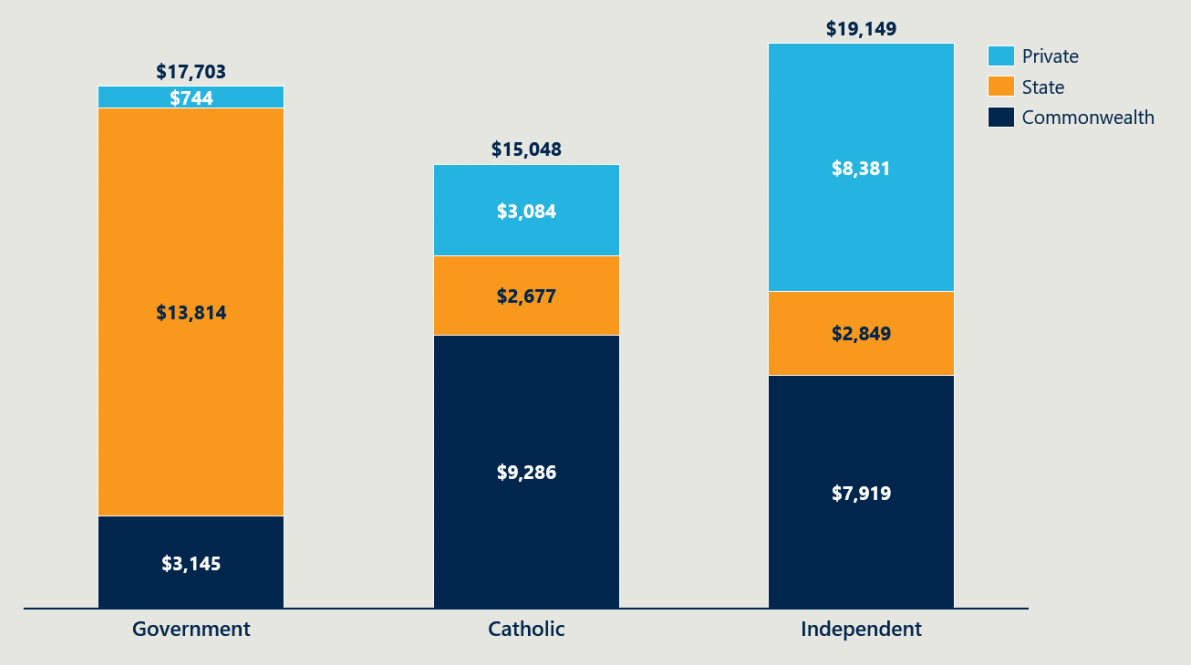
This figure is even lower when one accounts for net recurrent funding from all sources. For the same period, lower ICSEA schools saw a 23 per cent gain while higher ICSEA schools experienced a more substantial 27.7 per cent gain.[17]

Figure 7 illustrates that, in terms of recurrent funding from all sources, Independent students, on average, are funded at higher levels than students in the government and Catholic systems.

But while *average* funding levels are important, they can also obscure part of the story. When schools enrolling students with similar socio-educational advantage backgrounds are compared, the combined public per-student funding of the Catholic and Independent sectors is much closer to levels of public funding of government schools.[18]

[16] Bonnor C & Shepherd B (2017), *Losing the Game: State of our schools in 2017*, Centre for Policy Development, Sydney and Melbourne.
[17] *Ibid.*
[18] *Ibid.*

Figure 7 | Average recurrent income per-student by sector and source of funding, 2017



2.4 The structural features of Australian schooling are distinctive

Australia has a relatively high share of students attending non-government schools

In 2016, 65 per cent of 15-year-old students in Australia were enrolled in public schools, while the OECD average was 84 per cent.[19] This places Australia 9th lowest in public-school enrolment among 65 countries.

Figure 8 shows how Australia compares to other OECD countries in public schools versus privately-managed schools at the primary level.[20] The differences at the secondary level (Figure 9) are more marked, revealing a pattern of families choosing to move their children from the government to the non-government sector at this transition point.

[19] OECD, *Education at a Glance* dataset.

[20] As alluded to earlier, we use the term 'privately-managed' as distinct from 'private' to make the point that a large proportion of our non-government schools are heavily reliant on public funding. The OECD defines a public school as *being managed by a public education authority or agency*. A private school, on the other hand, is defined as being *managed by a non-government organisation, such as a church, a trade union or a private institution*.

Figure 8 | Share of students enrolled by type of institution, 2016 (all primary)[21]

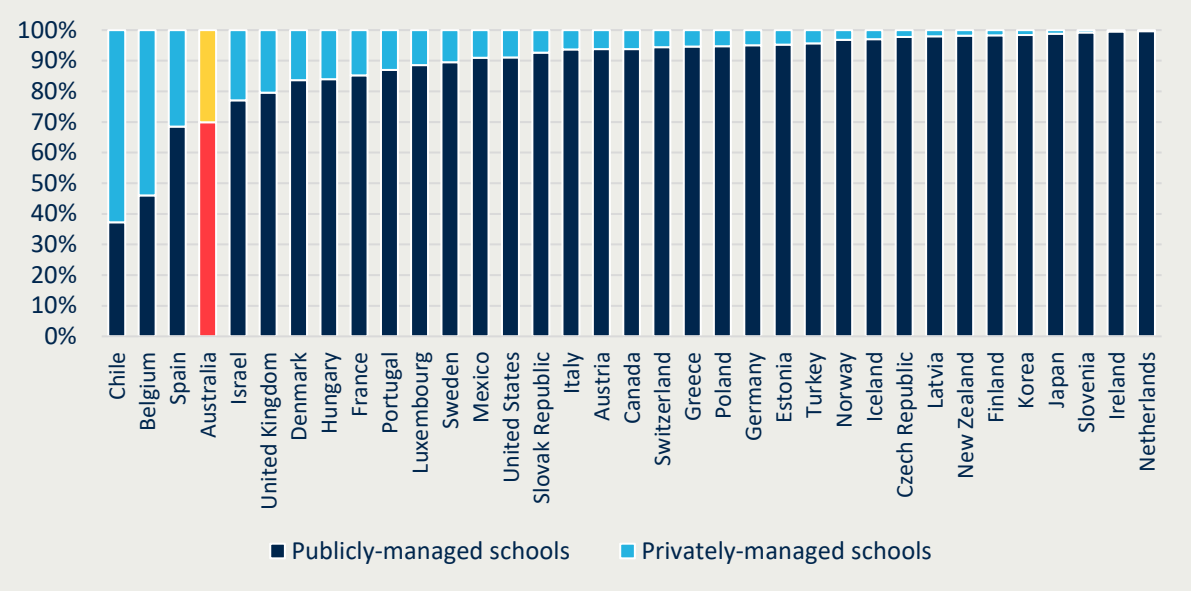
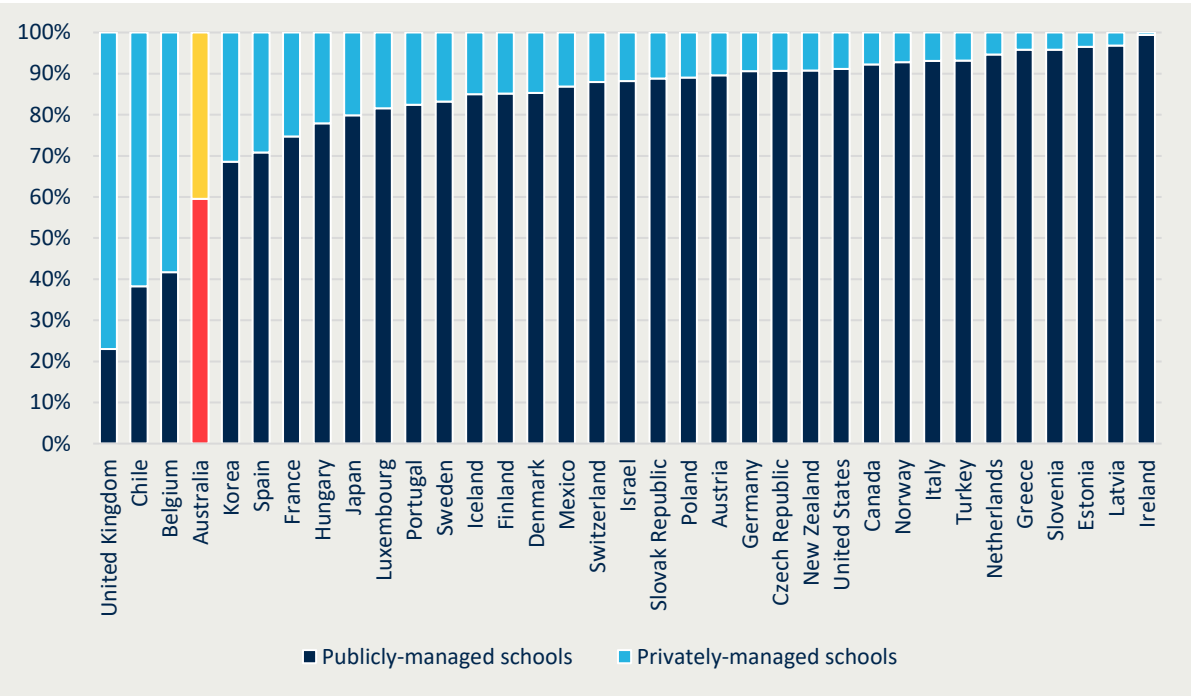


Figure 9 | Share of students enrolled by type of institution, 2016 (all secondary)

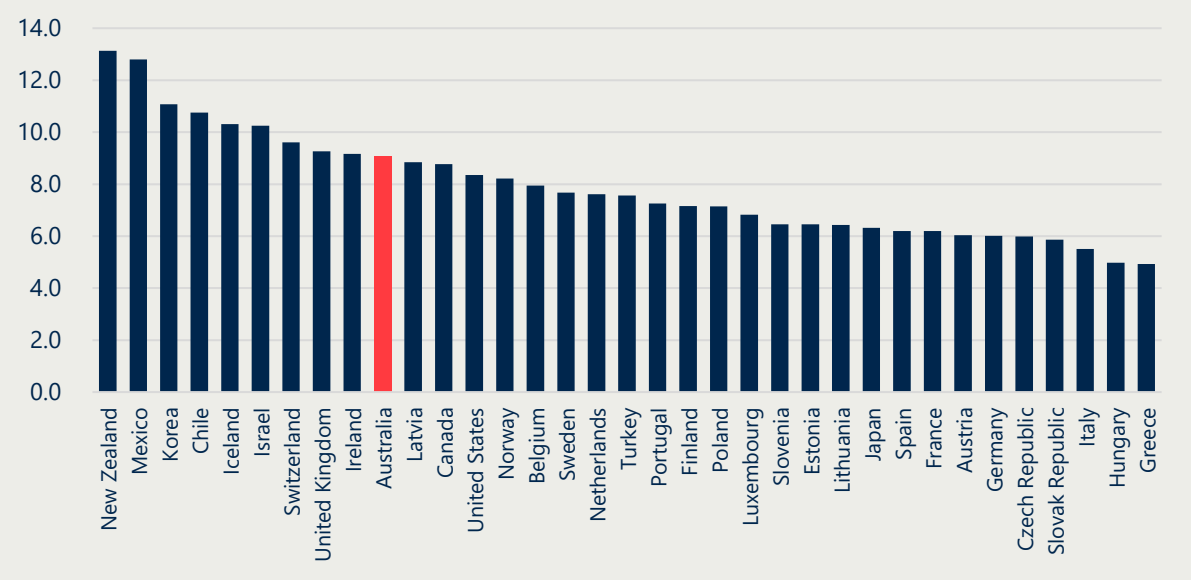


Australian governments spend an above-average amount on education

Total Australian government expenditure on schooling is above the OECD average when measured as a proportion of total government expenditure. Figure 8 shows that Australia sits 10th out of 35 OECD countries on this metric.

[21] In some countries (e.g. New Zealand) schools may be designated as public when they are integrated into the state system, including when they are faith-based schools or use specialist methods (e.g. Montessori).

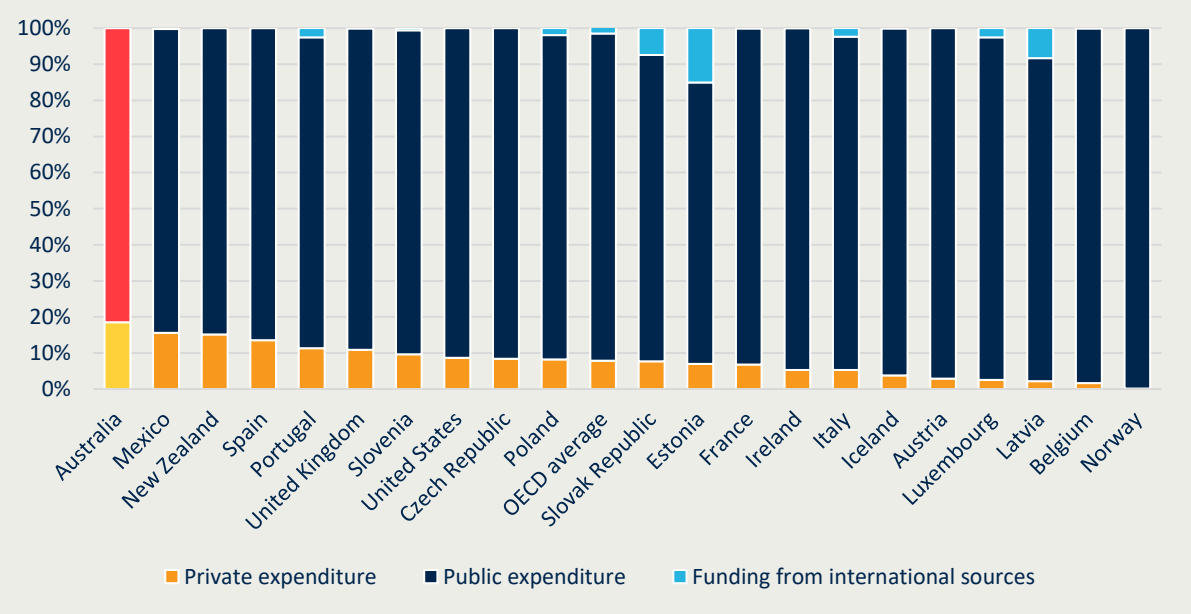
Figure 10 | Public expenditure on primary and secondary education as a percentage of total government expenditure, 2015



Australia also has one of the highest levels of private expenditure in the OECD

Australia has the highest share of private expenditure[22] as a proportion of total school expenditure in the OECD.[23] At 19 per cent, Australia's private expenditure is well above the OECD average (of 8 per cent). By schooling year levels, Australia is equal-fifth in private contributions during the primary years, first at the lower secondary levels, and seventh at upper secondary.

Figure 11 | Total expenditure on primary and secondary education by funding source, 2015

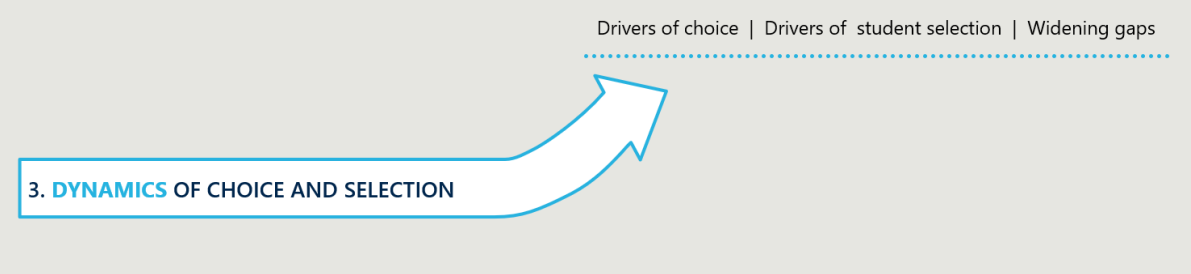


[22] Private expenditure in this context is defined as "all direct expenditure on educational institutions (tuition fees and other private payments to educational institutions), whether partially covered by public subsidies or not".
[23] OECD (2018), *Table C3.2 – Distribution of public, private and international sources of funds for educational institutions before and after transfers (2015): By level of education and source of funding, in Financial Resources Invested In Education,* OECD Publishing, Paris, accessed January 2019 at: https://doi.org/10.1787/eag-2018-table146-en.

Key points and implications

- The distinct governance, regulatory and funding arrangements for public, Independent and Catholic schools have led us to think of the system in terms of those three sectors. The risk of this is that it can disguise the diversity within each sector and the similarities between some schools across sectors.
- The unlevel playing field that evolved from the 'second re-organisation' of schooling in the 1970s has been embedded through governance, funding and regulatory structures:
    - The divided responsibilities of governments are enshrined, as are the three sectors as the main organising principle for managing the system.
    - There are different rules for different schools according to their status as government or non-government, autonomous or not, specialist/selective or not.
    - Notwithstanding the commitment by all governments to needs-based funding, per student funding for those in the lower ICSEA ranges has not changed proportionately to those in the upper ranges.
- Our system is one where the 'public-private' distinction is not as meaningful in a funding sense as it is in a governance and regulatory sense.
- The different rule books for schools not only generates inconsistency and complexity but also makes for a more opaque system, given some schools do not need to disclose as much information as others.
- The non-government school sectors together account for around one-third of all enrolments, which is relatively high in international terms. Overall public spending on schools in Australia is also relatively high. This is partly explained by the degree of public subsidisation of non-government schools.

3 The perpetuation of an unlevel playing field



If the historical, political and cultural clashes of the past gave rise to the structures that have defined our three-sector schooling system, then the behaviours of schools and families within those structures, in turn, give effect to the 'unlevel playing field'. In other words, while those structures provide the 'rules of the game', the dynamics among the players on the field show us how those rules favour some over others.

Our particular focus in this section is on the interplay between:

- parents' ability to choose a preferred school for their child's education; and
- schools' ability to select (or deny entry to) students who wish to enrol.

This interplay essentially triggers a process of active and passive sorting of students, which results in the emergence of concentrations of like-with-like. While there is a wide middle ground, there is clear segmentation at the two extremes of the system, to the extent that one could argue that the school arrangements we have are contributing to increasing segregation. This section explores how and why this occurs, while the following two sections consider the consequences.

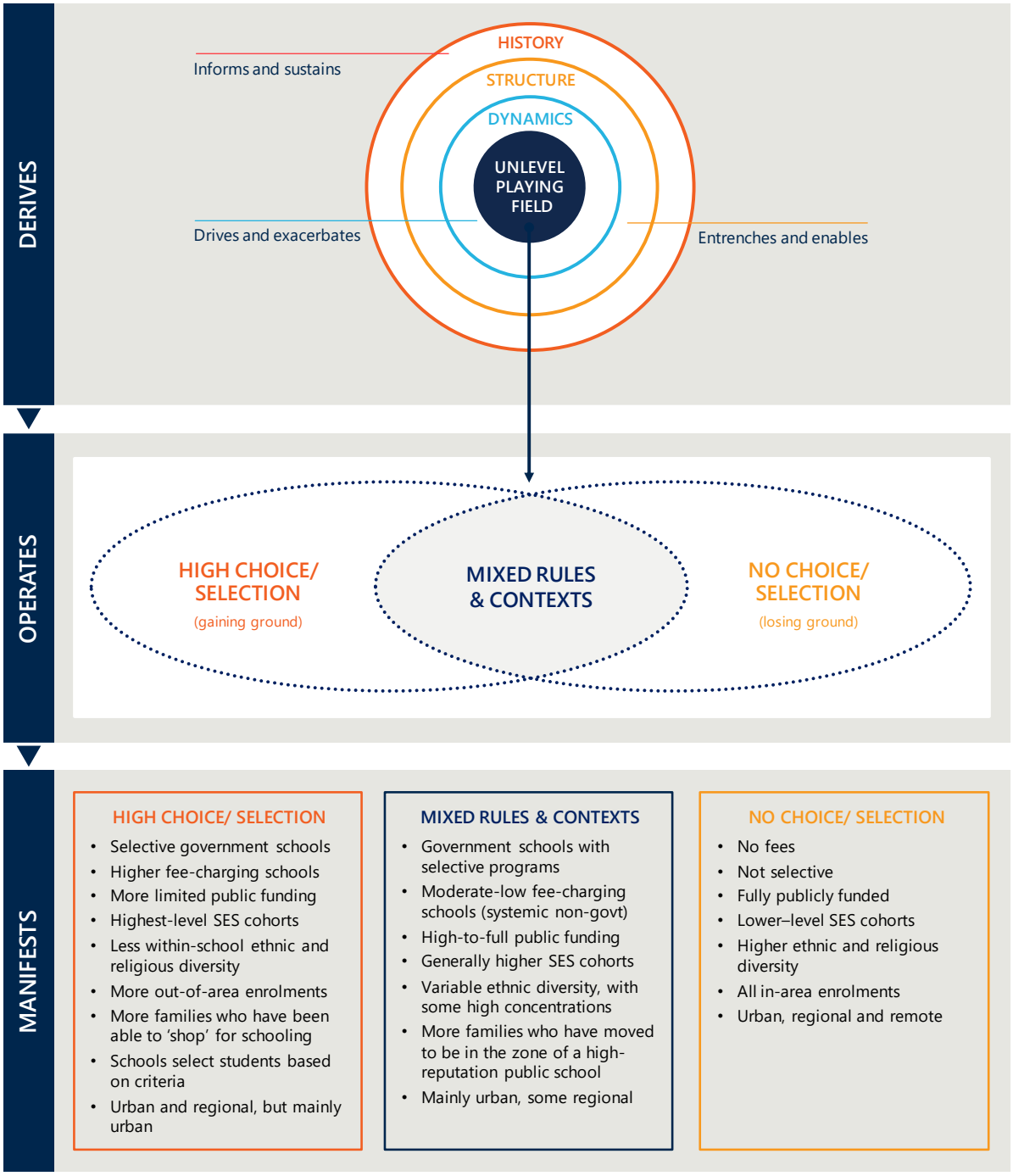
3.1 Choice and selection work as drivers of greater segmentation

Governments in recent years have invoked the desire for choice as the basis for policies that increase funding to the non-government sector.[24] This focus on choice is by no means a feature of all school systems internationally, nor of the best-performing ones. That said, it is often considered to be a driver of productivity (including in publicly funded services) as providers compete over service quality. In the same vein, choice can also drive innovation, as providers seek to differentiate their services and be more responsive to the needs of users.[25] The most compelling argument for choice in the Australian schooling context, however, is the empowerment of families to determine what sort of education their children receive.

The problem is that, while choice is theoretically available to all, it pertains only to a sub-set of the community. This point is illustrated in Figure 12 below which shows the two parts of the system (the conflicting legacies of the pre-1970s and post-1970s philosophies of schooling) that operates under quite different rules and constraints, as well as the large overlapping middle ground. This is an indicative representation that necessarily involves some generalisation. It also has the limitations of a static image that is intended to convey a dynamic. But for the purposes of argument, we use this concept of the overlapping sub-systems – focusing on the contrasting end points particularly – to highlight several points.

[24] The Australian Government's most recent announcement of a school funding package for the non-government sector, issued in September 2017, was headed: *More Choice for Australian Families*.
[25] Productivity Commission (2017), *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, Report No. 85, Canberra. p. 66.

Figure 12 | The derivation, operation and manifestation of the Unlevel Playing Field, with the dynamics of choice and selection at its core



These start with the following:

- First, the value of replacing a conceptualisation of the school system being divided either between three sectors (Catholic, Independent, government) or two (government and non-government) with one that recognises both the similarities and differences across those divides.
- Second, the role that competition between schools, choice of schools and selection of students play in the segmentation of our system into schools with common characteristics.
- Third, the way that families and students, through the actions of others who do have the capability to choose or select, are denied the outcomes that are experienced by others.

These points are developed below and in subsequent sections. But for now our focus is on describing the dynamics at work.

3.2 How competition, choice and selection operate at either end of the system

The discussion in this section focuses on the dynamics at the extremes, while acknowledging the large zone in the middle that reflects variable degrees of choice and selection.

3.2.1 The left end of the system

The left-hand side of the system (as depicted in Figure 12) has a high degree of competition among non-government schools as well as high-demand and selective public schools. There is typically a range of providers for families to choose from and access is, if not easy, then at least affordable. From a provider perspective, schools typically compete to attract the 'best and brightest', marketing themselves to specific customer segments and targeting their services accordingly. In other words, families can 'shop around' for schools and providers can (to some degree at least) 'shop around' for students.

How parents exercise choice

Parents in this part of the system choose their school on the basis of information about what is available and assessments of the best alignment with their own preferences and their children's' needs. Several factors influence their choice, including:

- Capacity to pay relevant school fees and associated costs (uniforms, transport etc.) or to gain an exemption from such fees
- Proximity to home
- Academic track record
- Reputation in the community
- School environment and facilities
- Curriculum focus
- Perceived teacher quality
- Probability of personal attention to the student
- Capacity of a school to meet particular physical, behavioural or learning needs
- Traditions and values
- Personal experience of the school

Some of these considerations might be based on empirical fact while others might be shaped by school marketing or word-of-mouth information. Research suggests that, overall, a school's reputation is a key determinant of choice.[26] In 2004 an Australian Council for Education Research (ACER) survey found that 34

[26] Waslander S, Pater C & Weide M (2010), *Markets in Education: An Analytical Review of Empirical Research on Market Mechanisms in Education*, OECD Education (Working Paper 52), OECD Publishing, Paris, accessed January 2019 at: http://dx.doi.org/10.1787/5km4pskmkr27-en.

per cent of respondents who enrolled their children in government schools said they would shift to a non-government school if they could.[27] Respondents identified the main attraction as the positive reputation of non-government schools. In this context, 'reputation' can relate directly to indicators of academic excellence (i.e. school results) but can also refer to other assumed correlates of 'quality' such as socioeconomic and ethnic background of students, the school's approach to discipline, offering a wide range of extra-curricular activities or keeping class sizes small. It is these details that collectively determine a school's reputation and therefore its position in a local hierarchy. And not surprisingly, parents seek out schools that are higher up the hierarchy.

Drivers of student selection by schools

Schools at the left end of the system include non-government and public selective schools who can filter in students who will continue to shore up the school's reputation. But non-selective public schools that have established a strong reputation also become competitive within the same market. Families will move to be in the catchment zone or seek to leverage family ties to the school to receive preference in out-of-zone enrolment applications.

From a school's perspective, when faced with competition from other selective or in-demand schools, they typically realign their marketing, curriculum provision and other offerings accordingly to attract students.[28] Parents are also in their sights, for a good principal understands the value of leveraging parents' time and resources for the purposes of advocacy, school governance, financial and in-kind support. Examples of the latter include coaching sporting teams, volunteering in canteens or helping with after-school activities or tuition. Certain families are better positioned to make themselves more attractive to schools.

Another preference that schools can reveal in this process is for students who might best succeed in the culture of mainstream schooling. It becomes risky for schools to do anything other than strive for strong performance on conventional measures of success, such as high ATARs, given they are chief performance indicators. While this may suit many and even most students, the reality is that students who learn in different ways (with some exceptions) do not always have choice of a school that will help them.

None of this is to suggest that such schools' selection of students is governed entirely by financial interests. Many schools operating at this end have a genuine commitment to educating a wide diversity of students, to helping kids with particular needs or interests, and to making a positive difference to a child's life course where others might have failed. There are also schools that care much less about income and academic achievement and are more concerned with providing an environment where students can benefit from immersion with people of the same religious background or philosophy of education. There are many exceptions. The key point remains, however, schools operating more towards the left end of the system:

- are able to be more responsive to competitive forces, by marketing themselves to families who are 'school shopping'; and
- retain the power to choose who will be educated at that school (and who can stay enrolled there).

This is quite different to the context at the other end of the system, to which we turn now.

3.2.2 The right end of the system

In this part of the system, few, if any, features of a competitive market are present. Schools here are predominantly government schools bound to the principle of universal access. Unlike selective schools or those with long lists of people seeking out-of-zone enrolments, they cannot exercise discretion over who can join the student body.

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[27] Dr Adrian Beavis (2004), 'Why parents choose public or private schools', *Research Developments, Vol. 12 [2004], Art. 3, accessed January 2019, https://research.acer.edu.au/cgi/viewcontent.cgi?article=1010&context=resdev*

[28] Savage G (2012), 'Being different and the same? The paradoxes of 'tailoring' in education quasi-markets', *Journal of Pedagogy*, 3(2), 279-302, accessed January 2019 at: https://doi.org/10.2478/v10159-012-0014-8.

Families in this part of the system – often, if not always – have many more restrictions on the extent to which they can choose between different schools. Sometimes this is due to sheer proximity; as we noted in Section 2, regional and remote communities have fewer schools. However, the bigger constraint for many is the cost of schooling. The right-end of the system includes those families who have been priced out of the market (whether by school fees or the price of relocation), who are happy to default to the local school, or who lack the motivation or capacity to exercise choice, even if there are options available.

Fees present a very real barrier to school choice by parents

Again, we need to remind ourselves that the dichotomy we are drawing is not a black-and-white contrast between the non-government sectors and government schools. For example, there are fees associated with enrolment at public schools: the expected family contribution averaged at $340 per student in 2016[29] (albeit in many cases these fees are subject-based and/or able to be waived). The bigger point, however, is that there is a significant price differential between schools that can present a real barrier for many parents.

Table 1 shows the degree of variation in fees by SES status (measured using school ICSEA[30]) and school sector. Unsurprisingly, there is a strong correlation between the fees charged and parents' assumed capacity to pay based on the ICSEA rating.

Table 1 | Australian schools: Average fees, charges and parent contributions[31]

	Average income and ICSEA	Government	Catholic	Independent
All schools	Fee income per student	$340	$2,616	$7,898
	School ICSEA	*980*	*1,045*	*1,064*
Regional schools	Fee income per student	$319	$1,906	$4,866
	School ICSEA	*953*	*1,017*	*1,034*
Median ICSEA schools	Fee income per student	$329	$2,060	$3,375
	School ICSEA	*993*	*1,015*	*1,016*

The capacity to pay school fees varies considerably and is determined by the level of fees charged and a family's disposable income. Notwithstanding 'needs-based' funding formulas that account for parents' capacity to contribute, there is a strong suggestion that the impact of fees acts as a constraint on choice across parts of the system. Estimates by both Chris Bonnor (of the Centre for Policy Development)[32] and Trevor Cobbold (of SaveOurSchools)[33] are that, overall, only half of Australian families feel they can exercise school choice. This compares to an OECD average (in 2015) of 65 per cent[34]. It is reasonable to presume that fees would be an important factor in this, as we discuss in Section 5.1 in the context of the extent to which parents enter into debt to fund school education.

[29] My Schools database (2017).
[30] Index of Community Socio-Educational Advantage (ICSEA) as defined by ACARA is a scale which allows for fair and reasonable comparisons among schools with similar students. ICSEA values correspond to the average level of educational advantage of the school's student population relative to those of other schools. A number of factors are used to calculate an ICSEA score including parents' occupation, parents' education, geographical location, and proportion of indigenous students.
[31] Note: excludes special schools and schools without data. Finance data shown is 2016. Source: My School.
[32] Bonnor C (2012), *Is the school community a myth?*
[33] Cobbold T (2008). *Choice or equity in education?*
[34] OECD (2017). *School choice and school vouchers: an OECD perspective*. OECD, Paris.

'Residualised' schools – and families – have limited discretion

Schools that are not selective or higher up the status hierarchy in a locality have little room to move. At the extremes, some get trapped in what has been termed a cycle of 'residualisation'. This refers to the phenomenon whereby schools with a perceived poor reputation (academically and otherwise) struggle to counter a trend of declining enrolments, diminishing resources (particularly from the parents and community, but also due to lower student numbers), and difficulties in attracting experienced staff. The concentration of disadvantaged students intensifies, which makes the teaching challenge greater. Academic performance of the school as-a-whole deteriorates due to the 'selection effect' and the downward spiral continues.

The number of schools (and by extension, communities) that are truly residualised may not be large. But there are many that face the risk of reaching that tipping point after which it is very hard to recover. The difficulty is that, schools at the right end in Figure 12 are not only constrained in their own abilities to select students or seek alternative revenue, they are largely powerless when parents who are able to exercise choice – those closer to the middle of our spectrum – abandon the school. For example, they may choose a government school considered to be better or find the means to enrol in a low-fee Catholic school nearby. Choice by some can create a residualised school, leaving behind those with no choice at all. Such schools, and their students, become 'collateral damage'.

Not all schools suffer a lower or declining reputation because of this dynamic – there can be under-performing schools in a monopoly environment – but it is a real risk for some in areas where schools are exposed to more competition.

Needs-based funding models are intended, in part, to arrest the concentration of disadvantage and reduce the risk of residualisation. No one wants to see a failing school and so governments and other interested parties may intervene to turn the school around. Additional funding can help, particularly if it is invested in things (staff mainly) that make a difference. However, it takes several years and significant investment to lift a school's performance and reputation. My School data suggests that this significant investment is yet to be made. And of course, it would be far better if the problem were prevented in the first place.

Meantime, over the period that the school is floundering, or while corrective action is slowly taking effect, children are more likely to experience a deficiency in one or more of the following:

- a stable learning environment (e.g. due to high turnover)
- teachers who are able in a challenging environment to build and support their students' aspirations
- a mix of peers who can provide a richer cultural and social experience
- resources for a wide range of extra-curricular activities
- a school community that provides a range of voluntary and in-kind supports
- the respect of those who judge people by the school they attend.

What is important to note here is that the uneven playing field – specifically, the division between a part of the system that reflects the post-1970s paradigm enabling choice and selection, and the other part that represents the traditional philosophy of predominantly government school provision – triggers and sustains the inequitable allocation of resources. Moreover, the elements of the system that enable school choice have not delivered a benefit in terms of promoting innovation that lifts quality. Instead it has generated competition that encourages schools to market features such as better facilities, which have no substantive bearing on students' educational performance.[35] These consequences are explored further in Section 4.

[35] Nous *et al* (2011), *Schooling Challenges and Opportunities – A Report for the Review of Funding for Schooling Panel*, p 23-38.

3.3 Socioeconomic segregation is getting worse

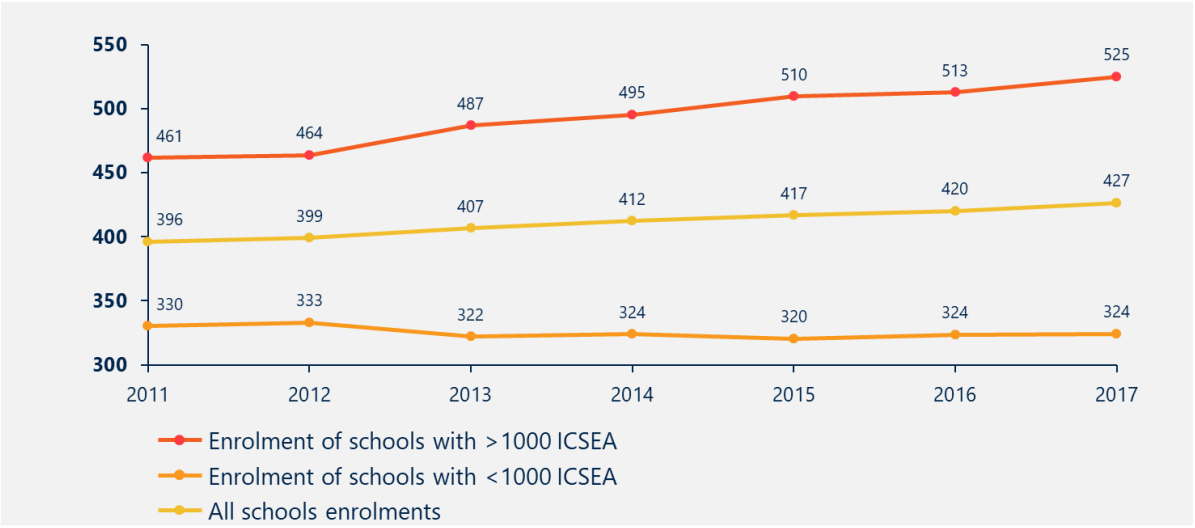
An OECD study of the Australian secondary school system neatly encapsulates how the dynamics described deepen the divide between the more market-like and non-market-like parts of the system.[36] Schools with able students from advantaged backgrounds rank highest in the local hierarchy, irrespective of objective measures of school quality (e.g. gain scores). Where the school sits in that local hierarchy impacts both demand and supply side behaviours:

- On the demand side, most parents seek to enrol their children in the highest reputation school they can access once any other threshold criteria are satisfied (e.g. preference for religious schooling, proximity, affordability).
- On the supply side, most schools seek to enhance their reputation and maximise their enrolments, with those that are in high demand but are not 'selective' nevertheless being able to enjoy the benefits of 'passive selection' (i.e. families moving into the catchment zone).

As Figure 13 illustrates with data from 2011-17, these motivations appear to have contributed to the drift away from low ICSEA schools in Australia,[37] suggesting that the process of socioeconomic segmentation is a continuing one. Rather than this being mitigated by further investment in the lower-ICSEA schools, somewhat perversely, the total resourcing (total recurring income per student) of the lower ICSEA schools increased by 12.2 per cent over this same period – but it increased by 18.6 per cent for the higher ICSEA schools. Despite a commitment to funding on need, government funding increased at around the same rate for both groups of schools.

What this tells us is that there are mechanisms and processes around choice and selection which are driving schools apart in socioeconomic terms. Across the 73 countries who participate in PISA, there are only 15 who have a greater concentration of disadvantaged students in disadvantaged schools than Australia.[38] The ways in which this impacts on individuals, our society and economy are discussed in Part 2 of this report.

Figure 13 | Enrolment change in schools with ICSEA greater than and less than 1,000



[36] Waslander S, Pater C & Weide M (2010), *Markets in Education: An Analytical Review of Empirical Research on Market Mechanisms in Education*, OECD Education (Working Paper 52), OECD, Paris, accessed January 2019 at: http://dx.doi.org/10.1787/5km4pskmkr27-en.
[37] My Schools database (2017).
[38] OECD (2018), *Equity in Education: Breaking Down Barriers to Social Mobility, PISA*, OECD Publishing, Paris.

Key points and implications

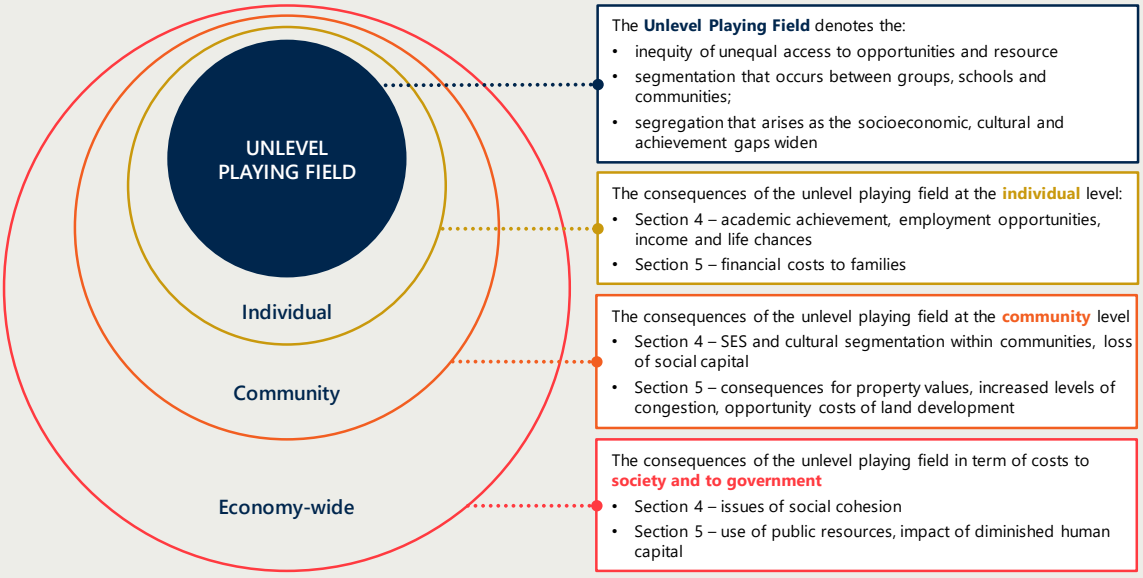
- Fees have always been a point of distinction between the government and non-government sectors and that continues to be the case. However, another key point of distinction – the ability of a school to select students – is pronounced in areas where there are selective public schools or high-demand public schools which are able to take out-of-zone students.
    - In the case of the former, students with higher 'scholastic capital' (i.e. a track record of strong academic performance or potential) will be more successful in passing the entry examinations.
    - In the case of the latter, the selection can be 'passive' in that families with more resources can move into the zone or closer to it.
- The more promotion of choice in the public system (which has been a response to the dominant narrative about the desirability of choice), the higher the risk of segmentation, which can lead to concentrations of disadvantage and, in more extreme cases, residualisation of schools.
    - Concentration of disadvantage occurs because some families are unable to overcome barriers of transport or fees and most of the no-fee schools they attend do not have any discretion over who can enrol.
    - Residualisation can be a consequence of parents, who have some scope to 'vote with their feet', abandoning a school in favour of another. If this triggers a shortfall in enrolments, the features often associated with a poor-performing school are compounded, precipitating a downward spiral from which is it hard to recover without significant government intervention.
- Parents and schools are acting as rational decision-makers based on the incentives and rules within the system. To change behaviour the incentives need to change, but this will be difficult given the deep-seated values that inform current choices and approaches to school management, as well as the interests vested in the status quo.
- Information about school performance is an important input to the exercise of choice, but it is not the only, or even most important, indicator of 'quality' from a parent's perspective. This implies a need to improve understanding, among other things, of what a good learning environment might look like (e.g. a more diverse and personalised pedagogy classes) and what features of academic performance are worth paying most attention to (e.g. gain scores are a better indicator of a school's 'value-add' than average scores).

PART II:
THE CONSEQUENCES OF AN UNLEVEL PLAYING FIELD

Part 1 of this report defined what we mean by an unlevel playing field by discussing how it emerged, how it has been consolidated through the structures, funding and regulation we have in place, and how it is perpetuated through the dynamics of choice and selection. The result is a system which we summarise as representing an 'unlevel playing field'.

In this part of the report we focus on the consequences of the unlevel playing field for individuals, communities and the economy at large (as illustrated below).

Figure 14 | The consequences of the unlevel playing field at three levels

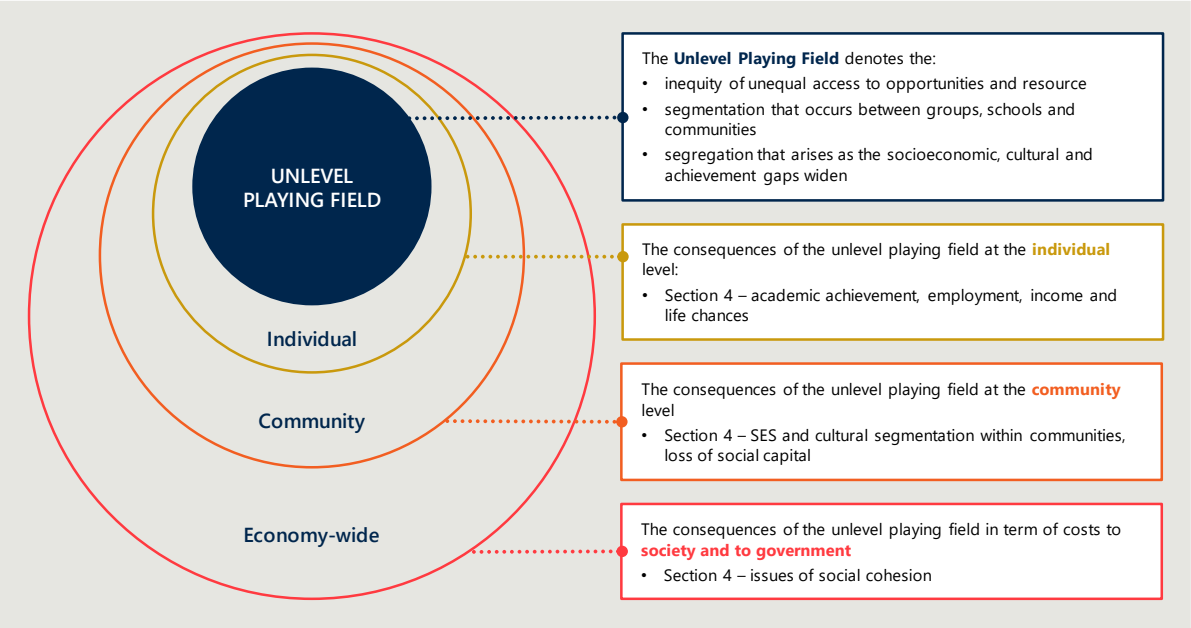


Section 4 focuses on the consequences for education and social outcomes. Differences shown in Part 1 in relation to per capita student funding and the ability for only some to exercise choice illustrate that, by its very nature, the concept of an uneven playing field is inherently unfair. The dynamics around choice and competition would, in other circumstances, be expected to raise quality and deliver more equitable outcomes. However, our system incentivises schools to compete for the similar 'best and brightest' students. This means that factors such as socioeconomic status, cultural background, or immigrant status, can impact on students' educational and social outcomes.

At its worst manifestation, the unlevel playing field produces a segregated system, in which peer effects exacerbate student's inherent disadvantages. As Section 4 discusses, this has further implications for students' educational performance, health and wellbeing, civic engagement, and employment pathways, and directly challenges our ideals of Australia as an egalitarian and fair society.

Section 5 focuses on the consequences for the costs of schooling at the parent, community, government and nation-wide level. This section outlines a range of direct financial costs and indirect economic consequences that stem from the history, structure and dynamics of our system. It captures a mixture of costs that result from both active and passive choice and selection by parents and schools. Many of these costs are not readily considered in the discussion of our schooling system, yet their roots can be traced back to the existence and perpetuation of an unlevel playing field.

4 The consequences for education and social outcomes



We have seen that the unlevel playing field is inequitable in terms of equal access to opportunities and resources. We have also seen that it has both represented and contributed to further segmentation between students and schools – to the point that, at least in terms of socioeconomic divides, the phenomenon seems to be one of worsening segregation. This section begins the discussion on what the consequences are from the unlevel playing field as described above, with a focus in this chapter on education and social outcomes.

First, we address what we mean by education 'outcomes', including in the context of considering the purpose of education and the extent to which competition improves 'quality'. The paper then considers what the consequences of the unlevel playing field imply for Australia's claim to be a country that promotes equity and aspires to high performance in education. The later parts of this section focus on the social and cultural impacts of the system described in Part 1 of this paper, not only for students in the system, but for the country.

4.1 'Outcomes' should reflect the broader purposes of education

Education has a broad purpose, yet educational 'outcomes' are defined narrowly

To assess the broad impacts of the system arrangements as we have described them, we need to revisit what outcomes school education sets out to achieve. There is no shortage of statements about the purpose and goals of school education. The *Melbourne Declaration on Educational Goals for Young Australians* has been a key reference for policymakers in Australia since 2008. It stated that improving educational outcomes for all young Australians was central to the nation's social and economic prosperity and would position young people to live fulfilling, productive and responsible lives. The goals of the declaration included promoting equity and excellence, while ensuring that all young Australians become successful learners, confident and creative individuals, active and informed citizens.[39]

[39] Ministerial Council on Education, Employment, Training and Youth Affairs (2008), *Melbourne Declaration on Educational Goals for Young Australians*, Ministerial Council on Education, Employment, Training and Youth Affairs, Canberra.

In this and similar contexts, educational outcomes are usually taken to mean academic achievement (results) or attainment (qualification levels). However, due to the dominance of NAPLAN and PISA as our key longitudinal measures of performance, 'outcomes' are most often reduced to a single metric of a student's performance in each of several domains spanning literacy, numeracy and, in the case of PISA, science. These datasets are valuable, but have become the definitive measures of education outcomes, obscuring those that speak to other aspects of the purpose of education.

There are variable views on what these other aspects are. For example:

- The Business Council of Australia's five objectives for our education system not only stress functional competencies but also the need for community-wide values of citizenship – honesty, compassion, respect, responsibility and courage.[40]
- The Australian Education Union sees the purpose to improve both educational and social outcomes, including through quality teaching and learning, and provision of safe and inclusive schools.[41]
- Professor Alan Reid sees three broad purposes of education: the democratic and public purpose, preparing young people for participation in democratic life; an individual purpose which treats education as a commodity and bestowing private benefits; and an economic purpose which prepares students as competent economic contributors.[42]

What comes through these different conceptions is that schooling is more than the 'industrial process' that Gonski criticised in the 2017 review.[43] It is an experience of informal and social learning as well as formal instruction. It is also an experience shaped by the character of the school – for example the degree of safety and inclusion. These elements all produce 'outcomes' that shape an individual's future. This point seems a truism, and yet while schools understand this and use metrics related to 'wellbeing' or 'climate', we take a much more reductionist view of the 'outcomes' that our system should be designed to produce.

A well-rounded definition of outcomes should include clearer definitions of 'quality' and 'equity'

None of the foregoing is intended to diminish or deny the importance and value of monitoring academic performance as an important outcome measure. It is of great concern that Australia's school performance is deteriorating relative to other high performing OECD countries. And we would not be fully aware of this without PISA and NAPLAN, which together have delivered a reasonably consistent message: that this deterioration is widespread and is especially noticeable in students who are disadvantaged. The problem is that academic achievement should not be the all-encompassing measure that obscures others.

A key example is the concept of 'gain scores' (sometime referred to as 'value-add' or 'growth' measures), which are an important indicator of school quality in that they more directly measure the impact that teachers, in particular, are having on a child's academic development. As we saw in Section 3, however, choice of schooling is often driven by attraction to other perceived markers of quality (facilities, small classes, uniforms). This is important as policymakers will often commit to the delivery of 'quality education' without describing what 'quality' looks like and how it ought to be assessed.

'Equity' is another term that is sometimes not well-understood or is narrowly-defined. Governments – especially ones in countries like Australia that aspire to be relatively egalitarian – value an education system that is strong against both academic outcomes and equity measures. Indeed, Australia's slippage in the OECD rankings for educational equity have been just as alarming for some as our more marked decline in school performance.

Below we explore what quality and equity mean in this context and their relationship to educational outcomes.

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[40] Business Council of Australia (2017), *Future-proof: protecting Australians through education and skills*, BCA, Melbourne.
[41] Australian Education Union (2017), *Submission to the Review to Achieve Educational Excellence in Australian Schools*, Australian Education Union, Melbourne.
[42] Reid A, Cranston N, Keating J & Mulford B (2010), *Exploring the public purposes of education in Australian primary schools*, Australian Government Primary Principals Association.
[43] Department of Education and Training (2018), *Through Growth to Achievement: Report of The Review to Achieve Educational Excellence in Australian Schools*, Department of Education and Training, Canberra.

4.2 The current arrangements do not promote quality-enhancing innovation or deviation from mainstream services

In an equitable education system, factors such as socioeconomic status, cultural background, and immigrant status will have little to no consequence for a student's educational outcomes. However, dynamics of the system can serve to segregate the population, exacerbate inequities, and worsen outcomes.

Competition does not encourage innovation that lifts student outcomes

In well-functioning markets, competition is expected to produce innovation that lifts quality. Yet a 2012 PISA study found no correlation between the degree of competition among schools and student performance in mathematics across the 65 participating OECD countries[44]. A follow-up report in 2014 showed that, in systems where almost all 15-year-olds attend schools that compete for enrolment, average performance is similar to that in systems where school competition is the exception.[45]

There is certainly ample evidence that competition between schools triggers investment in things like school appearance and resources.[46] But it is not generating significant changes in within-school practice – that is, to improve teaching and learning. Rather, as we saw in Section 3, the response of schools to competitive pressure tends towards maintaining or gaining control over the intake of students, both in numbers and in kind. In other words, innovation takes the form of strategies to secure or improve a school's position in the local pecking order.

A 2009 study by Lubienski concluded that there seems to be "no direct causal relationship between leveraging quasi-market mechanisms of choice and competition in education and inducing educational innovation in the classroom." [47] He also found that parents do not particularly seek innovative schools; rather, they preference schools higher up in the local hierarchy. Indeed, according to another OECD report, even if a chosen school is underperforming, parents will not seek enrolment elsewhere if the school is still well placed in the hierarchy,[48] preferring to remain within the school's social group. Hence competition as a mechanism to improve the quality of provision does not work in education as it might in other markets.

The important point here is that this not only has implications for the performance of the system, it reveals the limitations on its ability to serve students with different needs. According to the late Jack Keating, "instead of promoting greater diversity, secondary schools find themselves chasing the same academic pot of gold." [49] There is limited incentive in this environment for schools to develop vocational or alternative (or personalised) learning models, as not doing so optimises their market position. As Glen Savage puts it, "young people are sandwiched… into the same cookie-cutter model of excellence that schools must adopt to retain market competitiveness… rather than the school tailoring provision to meet diverse needs."[50]

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[44] OECD (2013), *PISA 2012 Results: What Makes Schools Successful? Resources, Policies and Practices Volume IV*, OECD Publishing, Paris.
[45] OECD (2014), *PISA in Focus – 2014/08*, OECD Publishing, Paris.
[46] In Australia, for example, in the six years to 2015, capital expenditure on high ICSEA (over 1,150) Independent schools greatly exceeded the capital expenditure on similar ICSEA government and Catholic schools combined.
[47] Lubienski C (2009), D*o Quasi-markets Foster Innovation in Education?: A Comparative Perspective (OECD Education Working Paper 25)*, OECD Publishing, Paris.
[48] Waslander S, Pater C & Weide M (2010), *Markets in Education: An Analytical Review of Empirical Research on Market Mechanisms in Education*, OECD Education (Working Paper 52), OECD, Paris, accessed January 2019 at: http://dx.doi.org/10.1787/5km4pskmkr27-en
[49] Keating J et al. (2013), 'Letting schools off the hook? Exploring the role of Australian secondary schools in the COAG Year 12 attainment agenda', *Journal of Education Policy,* 28.2, accessed January 2019 at: https://www.researchgate.net/publication/263173085_Letting_schools_off_the_hook_Exploring_the_role_of_Australian_secondary_schools_in_the_COAG_Year_12_attainment_agenda.
[50] Savage G (2014), *Why markets can't deliver excellence and equity in schools*, The Conversation, accessed January 2019 at: https://theconversation.com/why-markets-cant-deliver-excellence-and-equity-in-schools-25711.

Competition favours those in the mainstream and militates against diversity

Schools might develop and promote some differences – around technology, school organisation, student welfare practices, elective choice and community links – but typically that is as far as it goes. The conventional measures of success, a largely standardised curriculum, and the requirements of external assessments (such as NAPLAN and higher school certification) can leave schools with little room to move.

The ongoing problem, therefore, is that we reduce opportunities for the students who do not learn best in competing mainstream schools. Low-performing and high-needs students become liabilities, unable to find a suitable school which, to use the language of rejection, is prepared to cater for their needs.[51] Schools that create opportunities for personalised learning, including Montessori (private) and Big Picture (mainly public), are few and far between. Such schools do not look like other schools and more importantly, do not pursue the same 'pot of gold'.

In effect, competition has disenfranchised the students who cannot learn to thrive in the schools that the 'market' prefers. We not only have students who leave school too early, we have a much larger group who endure school, failing to emerge as self-motivated and self-directed learners. Countless studies have documented the alarming number of students who just 'switch off'. While such students are clearly disengaged from school, it is arguably equally valid to say that our mainstream schools are disengaged from them. There is little that is efficient or effective about such a system.

In sum, schools are not necessarily incentivised to innovate to improve quality, nor to provide the support to students with specific needs, which denies them a 'quality' education. This then also becomes an issue of equity.

4.3 Our system is not particularly equitable

Given the foregoing analysis of the segmentation between schools that are relatively of advantaged and disadvantaged, it might be surprising to read that Australia is considered, overall, to be a 'high equity' country in OECD rankings. This is based on a below-average relationship between students' academic performance (on PISA) and their SES status. However, there are three issues with this:

1. we are closer to average than we may appear
2. the headline figure disguises the degree of segmentation
3. other indicators also tell a story of inequity.[52, 53]

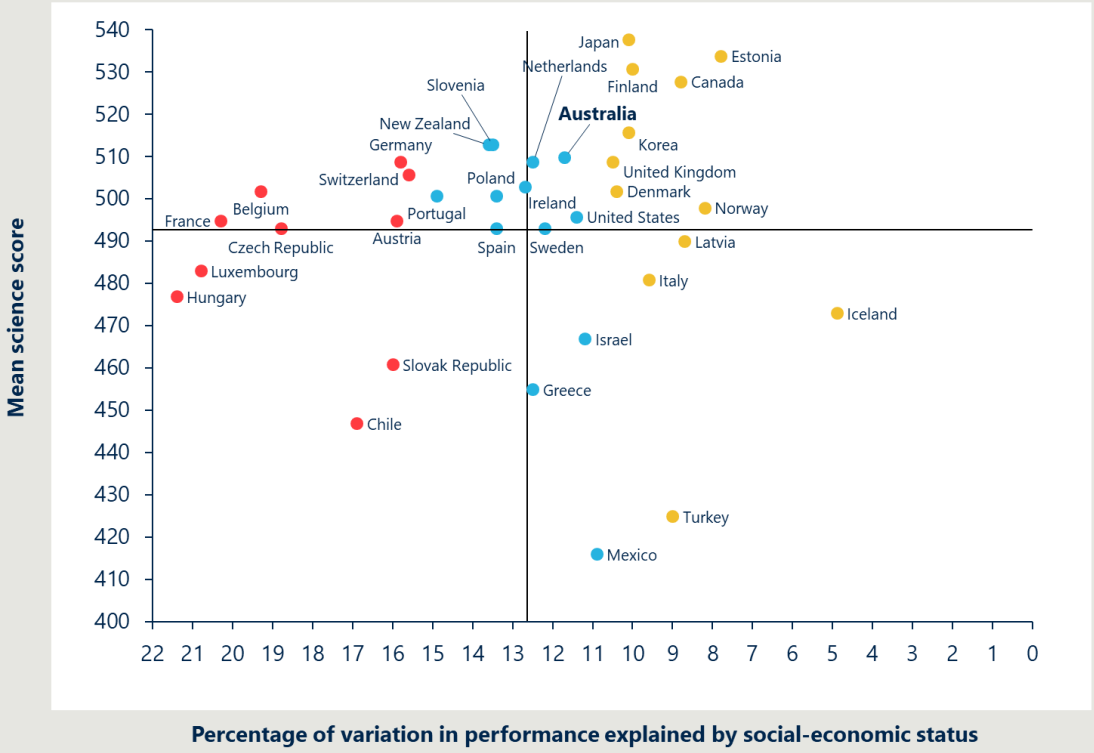
Each is considered, briefly, in turn.

Australia's ranking as a 'high-equity' country overstates the case

Australia is in the 'high-equity' quadrant of OECD rankings, but its difference from the OECD average is considered 'not statistically different' as shown in Figure 15. While we might like to take comfort in our proximity to Canada and Finland, we should also see ourselves as being grouped with countries such as the United States.

[51] *Ibid.*
[52] Savage G (2013), *FactCheck: is Australian education highly equitable?*, The Conversation, accessed January 2019 at: https://theconversation.com/factcheck-is-australian-education-highly-equitable-20815.
[53] Bonnor C (2011), *My School, PISA and Australia's equity gap*, Inside Story, accessed January 2019 at: https://insidestory.org.au/my-school-pisa-and-australias-equity-gap/.

Figure 15 | Strength of the relationship between PISA performance and SES background (2015)[54]



Strength of the relationship between performance and socio-economic background:

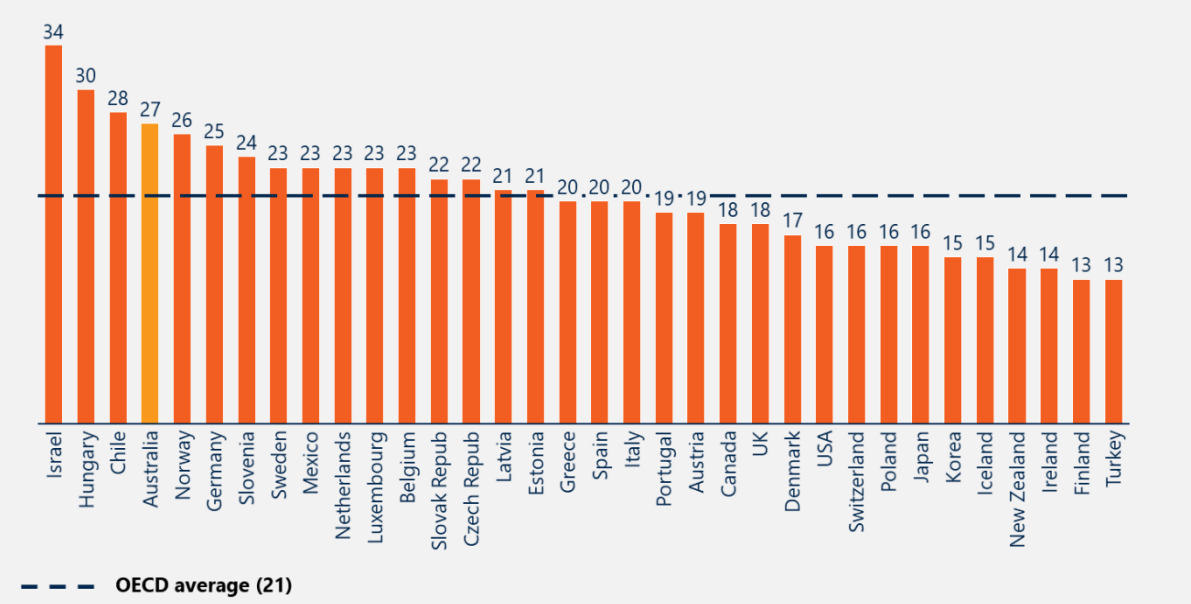
- Strength of the relationship between performance and socio-economic status is **above** the OECD average
- Strength of the relationship between performance and socio-economic status is **not statistically difference** from the OECD average
- Strength of the relationship between performance and socio-economic status is **below** the OECD average

The headline ranking of relative equity disguises the degree of segregation

The OECD also found in a separate report that Australia was (in 2015) fourth on the list of countries with the most socially segregated school systems (see Figure 16).[55] In this context, 'social segregation' is defined in terms of parents' occupation – that is, where a student comes from a blue-collar or white-collar family. The relative concentration of each group is measured by a social segregation index (0-100), where a higher index indicates that the children of white- and blue-collar workers are less likely to attend the same school.

[54] OECD (2016), *PISA 2015 results (Volume 1): Excellence and Equity in Education, PISA*, OECD Publishing, Paris.
[55] OECD (2017). *PISA 2015 Results (Volume III) – Students' Well-Being*, OECD Publishing, Paris.

Figure 16 | Index of social segregation in school systems, OECD countries, 2015



Students' experience of inequity takes forms not always captured in national, headline metrics

The OECD's analysis of the 2015 PISA results for Australia shows that the achievement gap in our school system is, on average, equivalent to well over two years of learning.[56] Analysis of NAPLAN results similarly show large achievement gaps between students in advantaged and disadvantaged schools (with level of advantage measured through ICSEA).[57] Even more problematic is the finding that the gaps between these two groups have increased substantially since 2008: by 19 points in reading and 10 points in numeracy.[58]

There is also a completion gap: 39 per cent of students from low SES families do not complete year 12 studies, while only 11 per cent from high SES families fail to do so.[59] For Indigenous students the difference is very pronounced; they are, on average, two years behind in reading, writing and mathematics.[60, 61] Moreover, 60 per cent of indigenous students that start high school do not commence year 12.

Another relevant metric concerns perception of access to school resources. Among OECD countries, Australia has the largest gap between principals in advantaged and disadvantaged schools in terms of concerns about their schools' 'materials', which covers physical infrastructure and education-related materials such as textbooks, laboratory equipment and computers.[62] See Figure 17 below, in which positive values indicate that school principals in socioeconomically advantaged schools are more concerned than principals in disadvantaged schools.

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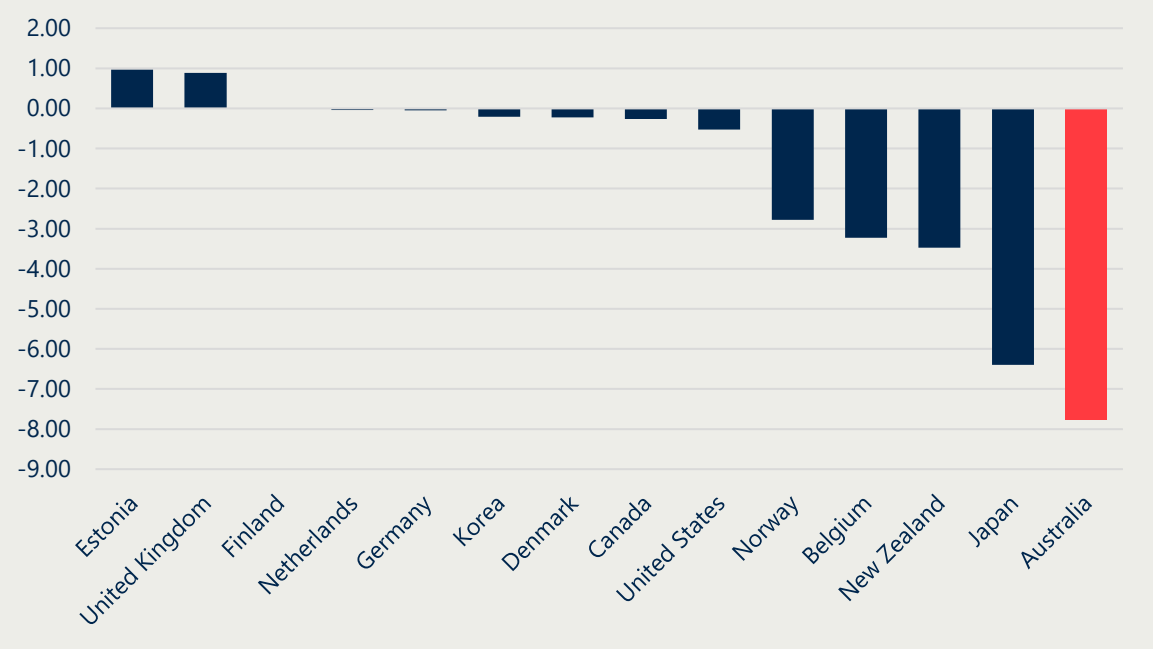
[56] OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, OECD Publishing, Paris.
[57] Goss P (2018), *Five things we wouldn't know without NAPLAN,* The Conversation, accessed February 2019 at: https://theconversation.com/five-things-we-wouldnt-know-without-naplan-94286.
[58] Cobbold T (2017), *NAPLAN Data Shows Continuing Large Achievement Gaps Between Advantaged and Disadvantaged Students*, Save Our Schools, accessed January 2019 at: https://www.sstuwa.org.au/news-home-1/2017/d/naplan-data-shows-continuing-large-achievement-gaps-between-advantaged-and-disadvantaged-students.
[59] Lamb S et al. (2015), *Educational opportunity in Australia 2015: Who succeeds and who misses out, Centre for International Research on Education Systems*, Mitchell Institute, Melbourne.
[60] Dreise T & Thomson S (2014), *Unfinished business: PISA shows Indigenous youth are being left behind*, Australian Council for Educational Research, Melbourne.
[61] Goss P & Sonneman J (2016), *Widening gaps: What NAPLAN tells us about student progress*, Grattan Institute, Melbourne.
[62] OECD (2016), PISA 2015 Results (Volume II): Policies and practices for successful schools, OECD Publishing, Paris. PISA 2015 asked school principals to report the extent to which their school's capacity to provide instructions was hindered ('not at all', 'very little', 'to some extent' or 'a lot') by a shortage or inadequacy of physical infrastructure, such as school buildings, heating and cooling systems and instructional space; and education material, such as textbooks, laboratory equipment, instructional materials and computers.

Figure 17 | Principals' concerns about the shortage or inadequacy of physical infrastructure and materials – difference between advantaged and disadvantaged schools[63]



Resourcing gaps manifest in several other ways:

- Australia has the largest gap in teacher shortage between disadvantaged and advantaged schools.
- Australia is one of only seven OECD countries where advantaged schools have a higher teacher-student ratio than disadvantaged schools.

What this suggests is that, notwithstanding all Australian governments' commitment to needs-based funding, there is an inverse relationship between the resources and support that more disadvantaged students require, and the quantity and quality of the resources provided.

4.4 There is a strong relationship between equity and educational performance

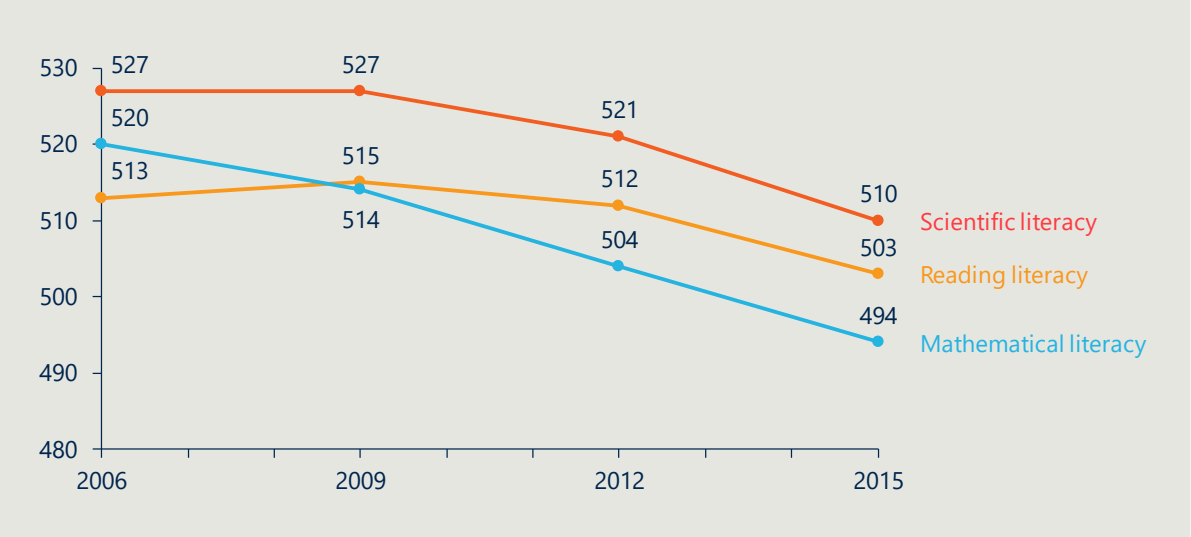
It is well-established that the measurable aspects of Australian school performance are deteriorating relative to other high performing OECD countries. What is less well-appreciated in the wider public is the strong correlation between this and our declining equity.

Australia's performance in educational outcomes is declining markedly in absolute and relative terms

An analysis of Australia's mean PISA results for 2006 to 2015 illustrate a decline in absolute terms across all three subject areas: science, maths, and reading (Figure 18).

[63] OECD (2016), *PISA 2015 Result (Volume II): Policies and practices for successful schools (Volume II)*, OECD Publishing, Paris.
Note: A positive score indicates that principals in disadvantaged schools are less concerned about material resources than principals in advantaged schools.

Figure 18 | Australia's mean PISA scores (2006-2015)



Our position on a relative scale is also in decline. Australia is currently ranked 14th in science, 15th in reading and 25th in maths. Australia, however, has seen the 8th fastest decline in science, the 12th fastest decline in reading and the 4th fastest decline in mathematics over the last three years.

Among 31 assessed countries, Australia's mean science score decreased by 17 points from 2006-2015, the fourth-largest drop among that group.

Student background continues to largely define educational performance

This declining performance has been accompanied by a measurable worsening of school system equity. This indicates that we have gone backward in our ability to ensure that background does not define a student's education outcomes and life course.

This finding is highlighted in Table 2 below. This shows the socio-educational gradients for NAPLAN results for reading over seven years, ironically the years following the first Gonski review that heralded the introduction of 'needs-based' funding. Each number shows the relationship between the socio-educational index (ICSEA) of Australia's schools and the level of reading achievement. Higher numbers indicate a closer relationship – precisely what we don't want if schools, rather than student backgrounds, are to determine levels of achievement. While some numbers fluctuate, the trend is consistent: our socio-educational gradient – in effect our equity slope – is steepening, meaning we are going backwards.

Modelling conducted by the Centre for Policy Development into this same phenomenon in 2016 indicated that declining equity was steepest in places and levels of schooling where choice of schools is more commonly available and exercised (e.g. urban areas and secondary years of schooling).[64]

[64] Bonnor C and Shepherd B (2016), *Uneven Playing Field – the state of Australia's schools,* Centre for Policy Development, Sydney and Melbourne.

Table 2 | NAPLAN/ICSEA socioeconomic gradients, 2011 – 2017 (all schools with ICSEA and NAPLAN data)[65]

Data year	Year 3 Reading	Year 5 Reading	Year 7 Reading	Year 9 Reading
2011	0.317	0.359	0.317	0.320
2012	0.333	0.370	0.333	0.366
2013	0.355	0.313	0.355	0.346
2014	0.356	0.390	0.356	0.386
2015	0.360	0.378	0.360	0.364
2016	0.375	0.407	0.375	0.361
2017	0.406	0.392	0.406	0.393

The deterioration is being compounded by declining within-school diversity

Enrolment segregation is having a dampening effect on school achievement, particularly among the lower SES levels. A recent examination of NSW Higher School Certificate (HSC) outcomes illustrates how this plays out:

- Between 2005/06 and 2016/17 the number of Distinguished Achievers in the NSW HSC who attended schools above the median school ICSEA of 1,000 substantially increased. The numbers below ICSEA 1,000 either did not change or fell.
- Over the same period the numbers of Distinguished Achievers from city schools increased while fewer came from regional NSW.[66]

In both cases, schools that set entry tests or charged fees noticeably increased their numbers and share of Distinguished Achievers. The same phenomenon emerges when we compare comprehensive and neighbouring selective schools. The latter increased their share of high achievers, the former saw a decrease. While such trends can be explained to some extent by population movement, the schools increasing their numbers and proportion of high achievers are not only taking in more students but are seeing their enrolment of advantaged students increase. Those with a smaller share of these high achievers are tending to decline in size and are left with an increasingly disadvantaged student cohort.

We would expect that the shift of students to higher ICSEA schools should, in theory, raise the average test scores for Australia. The fact that it does not suggests that segmentation is increasing the number of students who perform poorly overall.

Peer effects within a segregated system can compound existing inequities

The various impacts of peers on student achievement are complex but have particular relevance for Australia's schools. What are known as endogenous peer effects – those generated by current peer behaviour or outcomes – are relatively direct (and well-known by teachers). They include the ways in which

[65] Socioeconomic gradients are calculated by creating scatter plots of ICSEA and NAPLAN data and identifying the gradient of the linear trendline. An analysis of correlation (R^2) demonstrates the same worsening equity results.
[66] Bonnor C (2019), *Separating scholars: How Australia abandons its struggling schools,* Centre for Policy Development Discussion Paper, Sydney and Melbourne.

learning is affected by cooperation and competition between peers, as well as by the impacts of student behaviour and misbehaviour on classroom management and time-on-task.[67]

Effects that result directly from peer background characteristics have become known as exogenous peer effects, or contextual effects. How do these play out? The NSW Department of Education research noted that the performance of low SES students will, on average, be lower if they also attend a school with a large number of other low SES students.[68] Such findings are replicated by others.[69]

One reason for this is that schools with students with a growing concentration of disadvantaged students face particularly tough barriers to improving their performance and school culture, in part because:

- they have fewer higher-performing students to bring that stimulus to their classrooms
- their parent organisation might lose some of its more articulate and energetic advocates (as they switch to other schools)
- the range and availability of resources might decline
- teachers' experiences and expectations can change – for example, teachers might shift subtly from continually exploring new ground to having to consolidate skills and knowledge already traversed.

In terms of the reverse peer effects – the consequences of having lower-achieving students mixed with high-achieving peers, the most definitive study using Victorian Year 7 data concluded that "we could not find a penalty from having 'bad' peers (from the bottom 10 per cent of the prior achievement distribution)."[70] At the same time, the study confirmed that there are "small but positive and statistically significant effects from having higher-achieving peers on average and from having a higher proportion of very high achieving peers (in the top 10 per cent of the prior achievement distribution)."[71] Importantly, such effects appear to be more important in the earlier years and wash out from year 9.

4.5 The unlevel playing field narrows social and cultural connections

As argued above, the purpose of education should not simply be seen in narrow terms – for example, to produce people with skills for jobs. An accessible, high quality schooling system can, and should, lead to a more positive life trajectory across dimensions other than employment, including health, family and social relationships, community engagement, and ability to engage in life-long learning. The current schooling arrangements are depriving some Australian students of such benefits, with adverse and long-term social impacts not just for the individuals directly affected, but for society at-large. Here we explore some of the social consequences of our highly segmented system.

Students in low-SES schools are less resilient and have a weaker sense of belonging

Further to the relationship between inequity and academic outcomes, it is also possible to trace a relationship between the experience of being in a low-SES school and the development of positive mindsets. Specifically, research has identified consequences in the following areas:

[67] Sargeant J (2019), *Are Australian classrooms really the most disruptive in the world? Not if you look at the whole picture*, The Conversation, accessed January 2019 at: https://theconversation.com/are-australian-classrooms-really-the-most-disruptive-in-the-world-not-if-you-look-at-the-whole-picture-109888.
[68] NSW Department of Education and Communities (2011), *Australian School Funding Arrangements (Discussion Paper)*, NSW Department of Education and Communities, Sydney.
[69] Hamnett C, Ramsden M & Butler T (2007), 'Social background, ethnicity, school composition and educational attainment in East London', *Urban Studies* 44.7: 1255-1280, accessed January 2019 at: https://journals.sagepub.com/doi/abs/10.1080/00420980701302395?journalCode=usja.
[70] McVicar, D., Moschion, J. & Ryan,C., *Achievement Effects from New Peers: Who Matters to Whom?* Melbourne Institute Working Paper No. 17/16,-4 April 2016.
[71] *Ibid*.

- **Less resilience** – An OECD Working Paper on student resilience, defined as the positive adjustment that enables individuals to overcome adversity, shows that Australian students are becoming less resilient. The distribution of resilient students is strongly associated with school socioeconomic status.[72]
- **A weaker sense of belonging** – ACER has reported that Australian students, on average, have a declining sense of belonging at school. Students in provincial and remote schools, as well as those from low SES backgrounds, are particularly affected.[73]

Increasing school cultural and socioeconomic homogeneity can stunt social development

Australian schools have almost always been characterised by cultural diversity. For 150 years local schools took in students with wide ranging backgrounds, including different religious and ethnic or cultural backgrounds. Some schools cater for a particular demographic: the higher fee Protestant schools enrolled the better-off, and Catholic schools enrolled from Catholic families. Such diversity had been seen to create opportunities for the bridging and linking which underpins citizenship, social harmony and democracy. Indeed, it spoke to the very values that Australia cherishes – the 'fair go' society. But there have been marked changes over the last few decades, changes which have reduced the enrolment diversity within schools while increasing the differences between them.

Ethnicity provides an interesting lens on the homogenisation of Australian schools. Elite non-government schools can be monocultural hubs for Anglo-Australians, while some selective public schools disproportionately attract students from Asian and sub-continental backgrounds.[74] The story is different again for Indigenous students, the clear majority of whom – and certainly those in more remote locations – are educated in lower-status public schools.[75]

There are more schools now that cater to specific religious faiths beyond the dominant religions of Catholicism and Anglicanism. The number of Independent Islamic schools, in particular, has grown in the past decade. In 2011, the Independent Schools Council of Australia (ISCA) reported 20,198 enrolments in Islamic schools,[76] which grew to 31,878 by 2017.[77] Admittedly at the same time, Catholic schools have become less 'Catholic' than they used to be. Similarly, students of other larger Independent schools aligned to a church are less likely to practice the faith of that church. According to analysis of 2016 Census data by the Independent Schools Council of Australia, 37 per cent of all school students in Australia identified as having 'no religion', which represented an increase from 30 per cent in 2011. This reflects a trend across the Australian population away from indicating a religious affiliation. That same trend is evident in both Catholic and government schools.

The high and rising degree of social class, ethnic and (to some extent) religious segmentation in schooling means that, regardless of a school's relative academic quality, its students increasingly receive an impoverished social or 'informal' education due to more homogenous peer group. Not being exposed to children from other walks of life limits students' abilities to build important values such as tolerance, to broaden their educational or professional aspirations, or to be inspired by diverse role models. According to the Mitchell Institute, this "decreases the quality of their experiences and integration in society, leading

[72] Agasisti T et al. (2018), *Academic resilience: What schools and countries do to help disadvantaged students succeed in PISA*, OECD Education Working Papers (No. 167), OECD Publishing, Paris, accessed January 2019 at: https://doi.org/10.1787/e22490ac-en.
[73] Thomson S (2018), *Many Australian School Students feel they 'don't belong' in school: new research*, The Conversation, accessed January 2019 at: https://theconversation.com/many-australian-school-students-feel-they-dont-belong-in-school-new-research-97866.
[74] Ho C (2017), *Angry Anglos and aspirational Asians: everyday multiculturalism in the selective school system in Sydney*, Discourse: Studies in the Cultural Politics of Education, accessed January 2019 at: https://doi.org/10.1080/01596306.2017.1396961.
[75] Preston B (2018), *The social make-up of schools: A report prepared for the Australian Education Union*, Barbara Preston Research, Canberra.
[76] Independent Schools Council of Australia (2012), *Snapshot 2011,* Independent Schools Council of Australia, Canberra.
[77] Independent Schools Council of Australia (2018*), Snapshot 2017,* Independent Schools Council of Australia, Canberra.

to outcomes such as a lack of interest in lifelong learning, low aspirations, poor transition to work, and lack of attachment to social, economic and political institutions."[78]

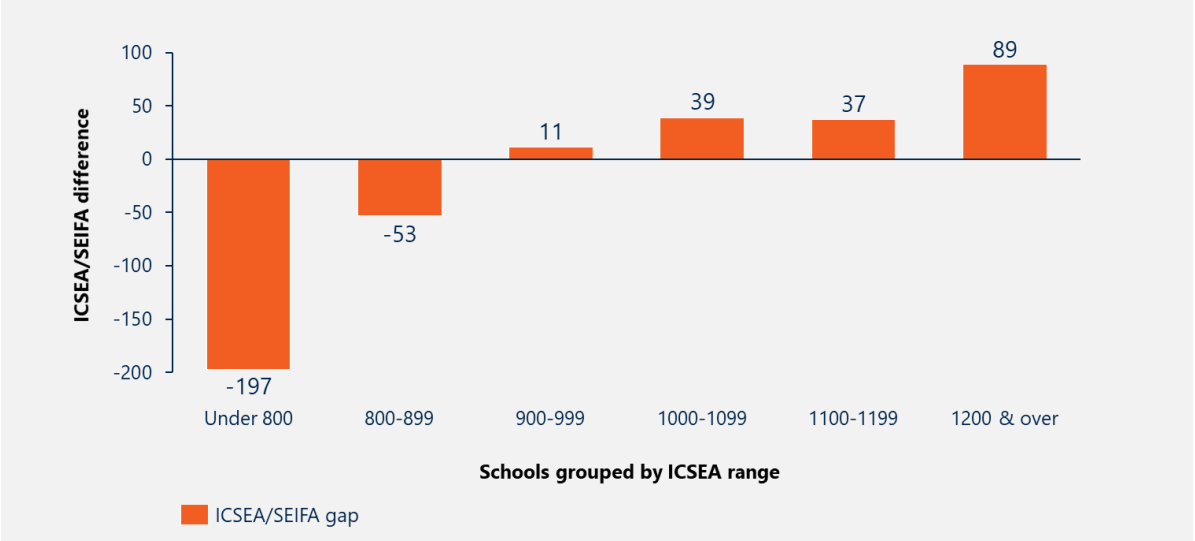
This not only impacts individual students, but has broader societal implications. As the Productivity Commission has found, creating successful multicultural environments can assist long-term social cohesion, because it develops respect and trust between the different groups that make up the Australian community.[79] This is because exposure to children of different backgrounds, identities and cultures helps students learn to empathise, tolerate and adapt, and to value different perspectives. Not only does segregation likely impair their social development, arguably it constrains creativity, curiosity and experimentation. Indeed, a more siloed upbringing would likely heighten fears of the unfamiliar and produce stronger instincts to stay with 'the tribe'. This not only creates a risk to Australia's social cohesion but also to our ability to innovate.

Schools no longer reflect the local community

There is also a considerable socioeconomic gap between many Australian schools and the communities in which they are located. As the system has become more segmented, school communities have become less representative of their local communities: two-thirds of Australian schools now do not reflect the neighbourhood in which they are located.[80]

This is illustrated from the perspective of socioeconomic status in Figure 19 below.[81] It shows that schools in Australia with higher ICSEA ranges are more advantaged than the communities in which they are based. The reverse is also true: schools with lower ICSEA scores are, on average, less advantaged than the communities around them.

Figure 19 | The SES profiles of Australian schools (by ICSEA range) versus the SES profile of the postcode where they are located



This point speaks not only to the question of the divides produced under our current arrangements, but raises questions also about the part played, or not played, by schools in the development of community social and cultural capital. In fact, it goes to the issue of the purpose of schooling and the extent to which

[78] Lamb et al. (2015). *Educational Opportunity in Australia 2015: Who succeeds and who misses out. Centre for International Research on Education Systems*, Victoria University, for the Mitchell Institute, Melbourne: Mitchell Institute. p. 2.
[79] Productivity Commission (2016), *Migrant Intake into Australia (Inquiry Report 77)*, Productivity Commission, Canberra, accessed January 2019 at: https://www.pc.gov.au/inquiries/completed/migrant-intake/report/migrant-intake-report.pdf.
[80] Bonnor C & Shepherd B (2016), *Uneven playing field: The state of Australia's schools (Report)*, Centre for Policy Development, Sydney and Melbourne.
[81] *Ibid.*

schools ought to be seen as a community asset whose role extends beyond providing an education to students enrolled there.

Segmentation affects individuals' prospects for health, wellbeing, and civic engagement

Our highly segmented system influences students' aspirations and expectations for the future; in particular, we saw above how this translated into lower completion rates.[82] In addition to affecting education outcomes, non-completion of schooling corresponds with poorer health and wellbeing over the life course. Those who have records of higher educational achievement have longer lives on average[83] – partly related to lower smoking and obesity rates – and fewer incidents of teenage pregnancy.[84] Such impacts carry through to the next generation. Parents with higher levels of educational attainment make better choices for their children, for instance regarding vaccination and diet.[85]

Research also shows a link between more schooling and better mental health outcomes, including higher levels of life satisfaction and a lower risk of experiencing depression.[86]

Similarly, there is a strong correlation between higher educational attainment and a reduced likelihood of incarceration.[87] This reflects not only the role of education in helping to secure stable employment, but in raising aspirations and instilling values that promote positive social behaviour.

Such behaviour can manifest in other ways that contribute to a cohesive and flourishing society. The ability and propensity for civic engagement is also enhanced by the experience of quality schooling and higher levels of attainment. Research has shown that an individual's level of education is causally related to increased levels of political engagement, voting, volunteering, and trust in institutions.[88]

4.6 The unlevel playing field impacts employment pathways

Inequity arising from Australia's segmented school system can also, of course, have long-term impacts on employment and income. The consequences of this for individuals and our economy are significant. Even small increases in educational performance can deliver substantive benefits in terms of income and job security.[89] But academic achievement is not the only factor; the social networks at schools have a bearing on longer term employment. This is why, anecdotally at least, some parents choose certain schools over others – precisely because their child can mix with families who may help them in the future. This section briefly explores such influences on a school student's success in the labour market.

Level of educational attainment is strongly linked to income and employment

The dropout rate in the non-government sector is just over one in ten students; at governments schools it is twice this rate. A similar relationship between SES status and school retention has been discussed above. The difference in long-run earning potential for school completers versus dropouts can be profound. For example:

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[82] Polidano C, Hanel B & Buddelmeyer H (2013), 'Explaining the socio-economic status school completion gap', *Education Economics* 21.3: 230-247, accessed January 2019 at: https://www.tandfonline.com/doi/abs/10.1080/09645292.2013.789482.
[83] Cutler DM and Lleras-Muney A (2006), *Education and Health: Evaluating Theories and Evidence (Working Paper No. 12352)*, National Bureau of Economic Research, Cambridge.
[84] Gibb SJ et al. (2014), 'Early Motherhood and Long-Term Economic Outcomes: Findings From a 30-Year Longitudinal Study', *Journal of Research on Adolescence* 25.1: 163-172, accessed January 2019 at: https://onlinelibrary.wiley.com/doi/full/10.1111/jora.12122.
[85] Wolfe B & Zuvekas S (1995), *Nonmarket Outcomes of Schooling (Discussion Paper 1065-95)*, Institute for Research on Poverty, Madison.
[86] Oreopoulos P (2007), 'Do dropouts drop out too soon? Wealth, health and happiness from compulsory schooling', *Journal of Public Economics* 91: 2213-2229, accessed January 2019 at: https://oreopoulos.faculty.economics.utoronto.ca/wp-content/uploads/2014/03/Do-dropouts-drop-out-too-soon.pdf.
[87] Australian Red Cross (2016), *Rethinking Justice: Vulnerability Report 2016*, Australian Red Cross, Melbourne.
[88] Desjardins R & Schuller T (2007), *Understanding the Social Outcomes of Learning*, OECD Publishing, Paris.
[89] Schanzenbach DW et al. (2016), *Fourteen Economic Facts on Education and Economic Opportunity*, Brookings Institute (The Hamilton Project), Washington DC.

- on average, compared to students who leave school in Year 9, Year 10 graduates in Australia earn 20-22 per cent more, and Year 12 graduates early 57-64 per cent more[90]
- over four per cent of young people who leave school before Year 12 are unemployed seven years afterwards, ten times the proportion of those who complete Year 12.[91]

The impacts are intergenerational: OECD analysis indicates that 37 per cent of students whose parents did not complete high school will not complete high school in Australia. This figure drops significantly if at least one parent attains at least secondary education.[92]

When we consider post-secondary education, relative achievement on the ATAR becomes important (even though the ATAR has been found to be a weak predictor of future academic performance[93]) given the signals it sends to the labour market. 2015 research estimated the ATAR gap between government and Catholic schools was 4.5 points, and six points between government and Independent schools.[94] Again – noting that the issue is not a black-and-white non-government versus government divide – this finding does underline the extent to which students who find themselves locked into a part of the system are worse off. The system doesn't serve them well and they can experience compounding effects of disadvantage and marginalisation.

The cumulative impacts of this on Australia's human capital, and therefore our economic productivity and ability to compete internationally, are clear.

The social environment of schools affects future employment

Social and cultural factors have an important impact on both formal and informal routes to employment, through the development of soft skills and in the formation of useful contacts and networks. American scholar Robert Putnam has studied these effects closely and notes their importance particularly for young people seeking entry-level positions. In *Our Kids: The American Dream in Crisis*,[95] he discusses how the school of his youth reflected the socioeconomic and cultural diversity of the community in which he lived. Within that community were church leaders, football coaches, parents of friends from a different class who all took an interest in the welfare and prospects of all kids at the school. This meant readier access to people who could serve as mentors and role models, who could vouch for their character, or even offer them a summer job.

Putnam's description of that same place 50 years hence resonates with the description in Section 3 of the current dynamics within our school system. The community of his youth has devolved into 'good' and 'bad' neighbourhoods and the schools have lost their diversity. Much of this has been triggered by structural adjustment in the local economy of the type that Australia has and will continue to experience. The current cohort of students at his school are alienated and helpless. Most have more limited horizons, while those with ambition have no network of credible advocates or supporters to call on for assistance.

Putnam's observations have recently been illustrated by the Boston Globe's Valedictorians Project,[96] which tracked the post-school outcomes of over 100 of Boston's brightest graduates. It tells the stories of valedictorians from urban high schools – in the Globe's terms, the students best-positioned for upward mobility – whose potential was diminished by social alienation, lack of professional networks, and a weaker sense of entitlement. Their outcomes are in stark contrast to the valedictorians of Boston's

[90] Leigh A (2007), *Returns to Education in Australia – Discussion paper*, Centre for Economic Policy Research, Canberra.
[91] Walsh L & Black R (2009), *Overcoming the barriers to engagement and equity for all students (Conference Paper)*, Australian Curriculum Studies Association, Canberra.
[92] OECD (2012), *Intergenerational mobility in education*. OECD, Paris, accessed January 2019 at: https://stats.oecd.org/.
[93] Messinis G & Sheehan P (2015), *The Academic Performance of First Year Students at Victoria University by Entry Score and SES, 2009-2013*, National Centre for Student Equity in Higher Education, Perth.
[94] Marks GN (2015), 'Do Catholic and Independent schools "add-value" to students' Tertiary Entrance Performance? Evidence from longitudinal population data', *Australian Journal of Education* 59.2:133-157.
[95] Putnam R (2015), *Our Kids: The American Dream in Crisis*, Simon and Schuster, New York.
[96] Boston Globe (2019), *The Valedictorians Project*, Boston Globe, Boston. accessed January 2019 at: https://apps.bostonglobe.com/magazine/graphics/2019/01/17/valedictorians/.

neighbouring suburban areas: they are less likely to have an advanced degree or high salary.[97] More than 20 aspired to be doctors, but unlike their peers, none had gained a medical degree.

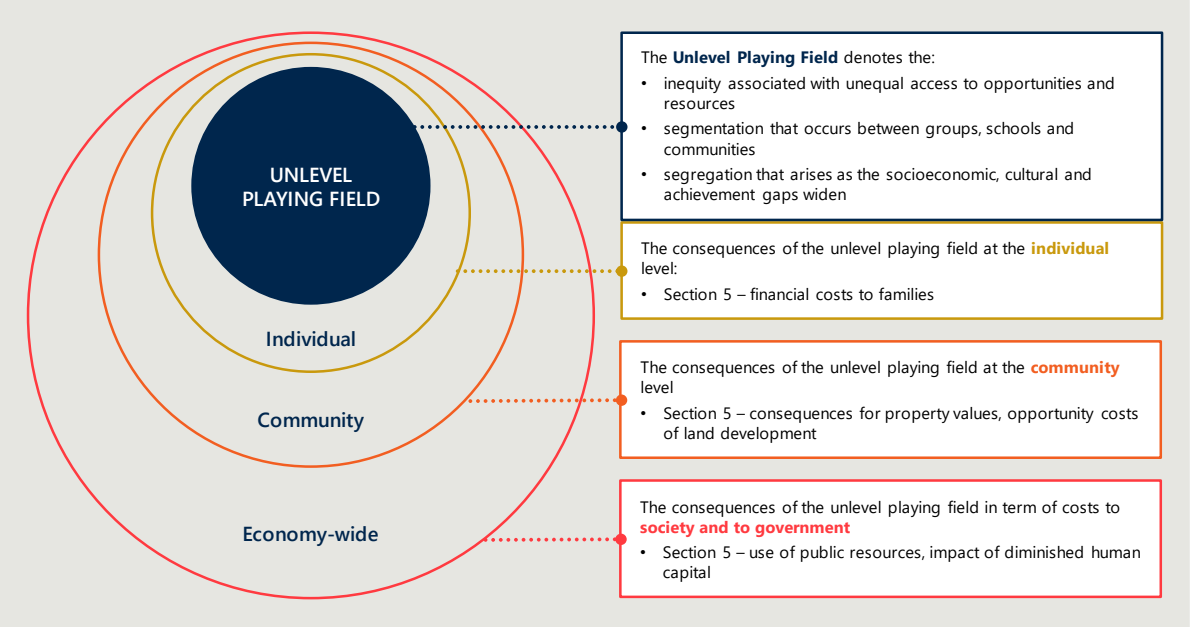
What *Our Kids* and the Valedictorians Project highlight is that the segmentation of schooling can create what Putnam calls an 'opportunity gap' and a 'savvy gap,' which weaken the prospects for some to find good work and earn a decent living.[98] While their examples are specific, they resonate deeply with what we see here in Australia.

Key points and implications

- The purpose of school education needs to be broadly defined. A richer understanding of what we are striving for (and why) at the system level will help us articulate what 'outcomes' are valued, what 'quality' looks like and how to measure them.
- The current era of increased competition has not been accompanied by improved measurable academic outcomes. The OECD has reported that across countries and economies, educational performance is unrelated to whether schools must compete for students.
- This is likely related to the finding that competition in our school system does not spur innovation to lift quality, nor does it (typically) encourage schools to take on and support students with particular needs.
- Inequity is correlated to poorer educational outcomes. Australia is being outperformed by other countries with higher levels of equity. Our declining equity is a likely indicator of a continuing decline in our system's ability to produce high-achieving students across all SES levels.
- We not only have students who leave school too early, we have a much larger group who endure school but fail to become self-motivated and self-directed learners. Their employment prospects and ability to navigate a changing labour market are dim.
- The ways in which the consequences of segmentation play out in a range of other social policy domains are not well-understood but are significant – both for individuals and for Australia's social cohesion and prosperity.

[97] Gay M, Moskowitz E & Irons ME (2019), *A Second Chance on the Other Side of the World*, Boston Globe, Boston, accessed January 2019 at: https://apps.bostonglobe.com/magazine/graphics/2019/01/17/valedictorians/untapped-potential.
[98] Putnam R (2015), *Our Kids: The American Dream in Crisis*, Simon and Schuster, New York.

5 The consequences for the cost of current system



In addition to longer term consequences for society and the economy, the unlevel playing field has implications for the total cost of schooling borne by government, and for costs imposed on families and the community. Some of these costs are direct (e.g. high and rising fees), while others are indirect, taking such forms as traffic congestion, property valuations, and opportunity costs. This section explores these costs and the impact at the three levels of families, communities and government.

5.1 Parents pay more than they need to and fees are rising

To the extent that elite schools use fees to signal their exclusivity, they will set fees well above what would be considered the 'efficient price' for education. That is, once SES factors are accounted for (both individual and peer), PISA analysis shows there is no significant difference in the measurable educational outcomes delivered across the different school types.[99] So regardless of whether families see value coming in other ways (such as through the contacts for future employment) this arguably represents a misallocation of resources. It also means that some parents take on excessive financial burdens without necessarily seeing commensurate educational returns.

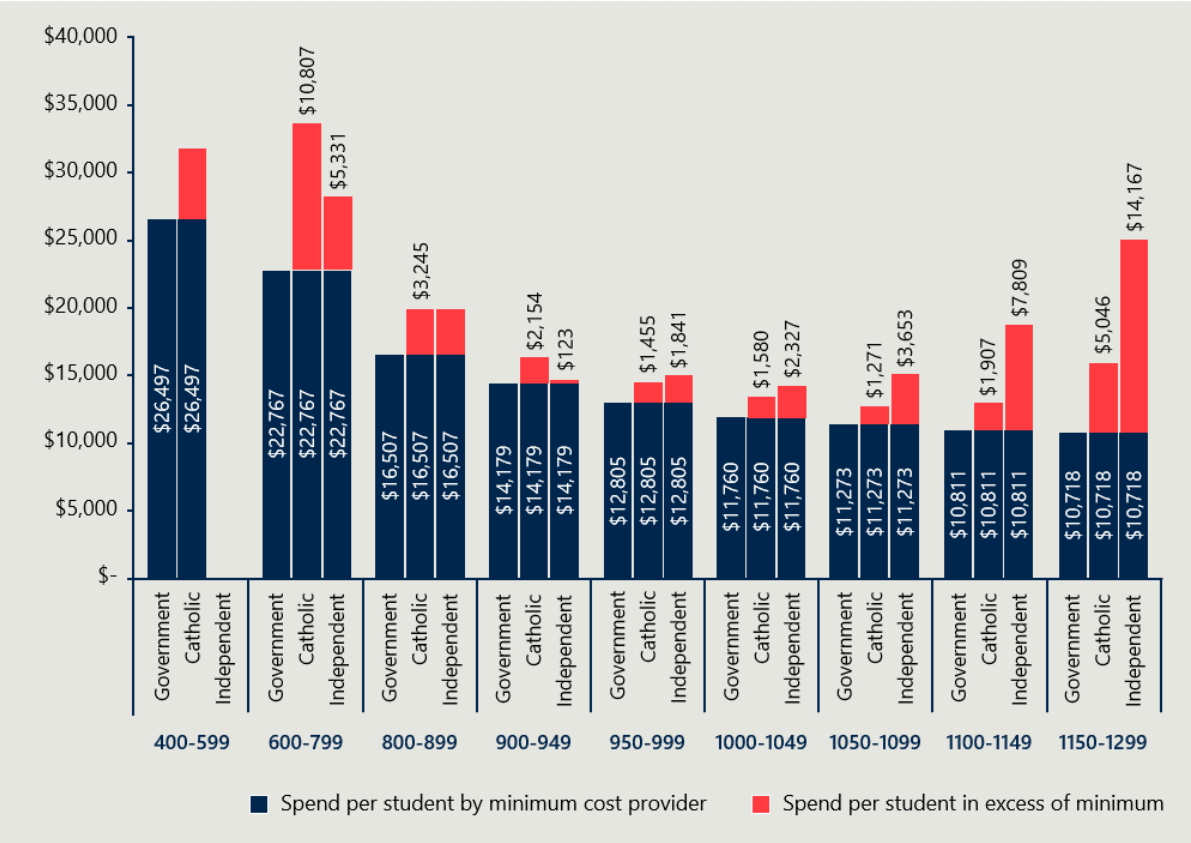
Parents pay more than they need to for educational outcomes

The base cost for schooling under the School Resourcing Standard (SRS) is currently set at $11,343 for primary students and $14,254 for secondary students. As noted earlier, loadings are added to these amounts to account for different types of disadvantage (for schools and students) in order to align resources to need and thereby achieve more equitable education outcomes.

Independent and Catholic schools set fees to supplement the government funding they receive and meet their schooling costs. But private contributions do more than match any shortfall in the SRS due to families' financial circumstances. Figure 21 below indicates that, for similar ICSEA schools in 2015, the Net Recurring Income Per Student (NRIPS) for the two non-government sectors is well above the level for the least cost provider – almost always government schools.

[99] Nous *et al* (2011). *Schooling Challenges and Opportunities – A Report for the Review of Funding for Schooling Panel*, p 28.

Figure 20 | NRIPS by sector, compared to minimum cost provider in defined ICSEA ranges (all schools, 2015 My Schools finance data)[100]



The Australian Government's funding is intended to cover recurrent costs of school education. Putting aside the separate point of whether the 'capacity to pay' contributions are set at the right level, this means that higher fee schools are either offering additional services, or are operating inefficiently. It is difficult to discern which is the case, so the question becomes whether government is effectively enabling services that are not available to others by providing large subsidies, and if so if this is good use of public funds given the negative consequences (or 'externalities') of the unlevel playing field documented in this report.

An analysis of the total cost of sending a child born in 2018 to a government school, versus a Catholic or Independent school illustrates the stark comparison between the sectors. Estimates of the average total cost of schooling (which includes both fees and out-of-pocket costs like books, uniforms, excursions etc) from pre-school to end of year 12 were:

- Government – $66,000
- Catholic – $240,000
- Independent – up to $475,000 (at the elite end).[101]

While parents are clearly willing to pay this price, it may be that they are not getting good value for their money. Recent modelling by the Grattan Institute using NAPLAN data confirmed that, after taking account

[100] Bonnor C & Shepherd B (2017), *Losing the Game: State of our schools in 2017*, Centre for Policy Development, Melbourne and Sydney.
[101] ASG (2018), *How much could you expect to pay for your child's schooling*, ASG, accessed January 2019 at: https://www.asg.com.au/doc/default-source/2018-asg-planning-for-education-index/asg_edcosts_childborn_-2018_nat_metro.pdf?sfvrsn=2.

of school advantage (based on ICSEA scores), the differences in educational performance between government and non-government schools are very marginal.[102]

Parents may not see this as an issue if they view fees as an indicator of academic performance. The willingness of parents to pay more than the 'efficient' price of education may also reflect social influences and/or effective school differentiation about specific features or services. Parents may be willing to pay more to purchase the connections and access to a social group in the not unreasonable belief that this will deliver significant benefits in the form of peer group effects and valuable school contacts. While it is rational for families who can afford to pay to 'buy' access for their children in this way, however, it is not always socially efficient in terms of motivating students to work on the development of knowledge and skills through education. It also becomes problematic if it convinces parents to spend more than is optimal for their family, which may go without other things to pay the necessary fees.

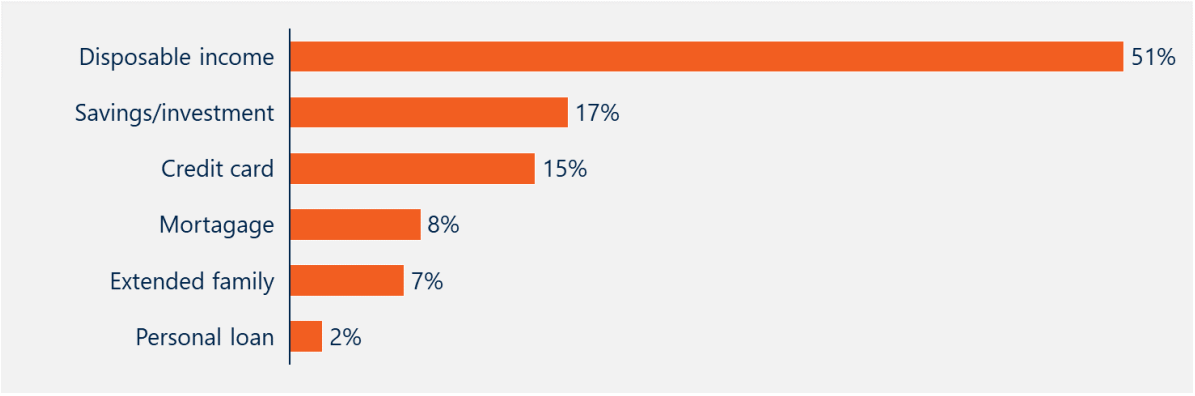
Public subsidies with negative externalities such as those described in Section 4 do not represent a good use of tax payer money. Moreover, the current school system arrangements create incentives for prestige schools – those that are able to charge a premium – to continue to grow in size, compounding the problem.

Fees have risen at a higher rate than incomes and are causing financial stress for some families

In a normal market, competition is seen as a force for driving prices down. However, where schools compete on 'extras', such as facilities or extracurricular activities, or on signalling their exclusivity, school fees will tend to rise as a result of competition rather than fall. Given this, it is unsurprising that real school fees have increased significantly over time. The jump in costs of education (being school fees and other related expenses) is estimated at 61 per cent and 54 per cent in Independent and Catholic schools respectively over the past decade. Wages on the other hand have only grown by 34 per cent across the same period.[103]

Some parents without the funds to meet the costs of higher fee schools, are turning to alternate financing options rather than switch to a free or low-fee schools. One survey of 500 families with children in non-government schools revealed that around a quarter relied on debt to meet their school education costs (see Figure 21).[104]

Figure 21 | How families fund private school fees (survey size n = 500)



[102] Goss P & Sonnermann J (2018), *Measuring student progress: A state-by-state report card*, Grattan Institute.
[103] ASG (2018), National – The cost of education growing faster than wages, ASG, accessed January 2019 at: https://www.asg.com.au/doc/default-source/2018-asg-planning-for-education-media-releases---australia/asg_2018-planning-for-education_national_approved.pdf?sfvrsn=2. Note: timeframe of measurement is 2007-2017.
[104] Edstart (2018), *Record low wage growth – impact on family budget and school fees*, accessed January 2019 at: https://edstart.com.au/blog/record-low-wage-growth-impact-on-family-budget-and-school-fees/.

It is not surprising that school fees can generate significant financial stress for parents. One survey of 1,000 found that over 95 per cent see private school fees as a financial sacrifice with 30 per cent stating it was a 'big financial sacrifice'.[105]

5.2 The unlevel playing field generates indirect and direct costs for communities

Current arrangements contribute to several economic consequences for communities surrounding the school area. Such consequences both derive from and sustain the growing segmentation in our school system. These economic implications on the community include increased traffic congestion, inflated housing prices and the opportunity cost associated with under-developed real estate.

More students attending out-of-zone schools means more traffic congestion

As discussed in Section 4.5, it is increasingly the case that schools do not represent the communities in which they are situated. Motivated parents will travel further distances so that their child can attend a school of their choice or preference. Such parents are not just choosing between government and non-government school: for example, last year around 53 per cent of government primary and secondary school enrolments in Victoria and 43 per cent of secondary schools in Sydney came from outside of the local school catchment area.[106, 107] A subset of these would be selective schools. In NSW, where there are more selective schools, some students are travelling over 100km (see Figure 22).[108]

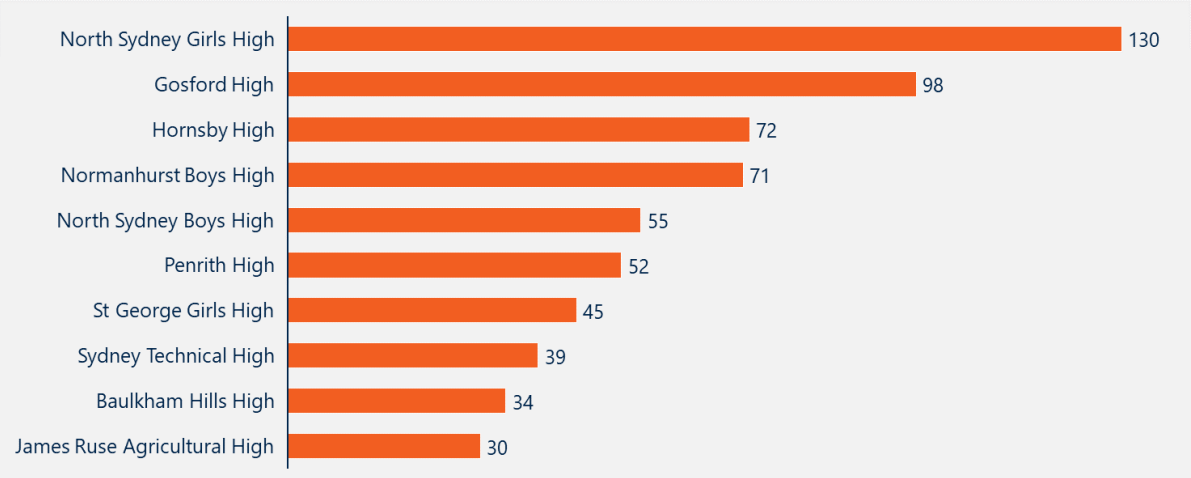
The correlation between the ability to access a wider range of schools and longer travel distances makes intuitive sense and is backed up by figures from the UK. In the mid-1980s, the mean distance travelled to school was just over two miles. By 2013, this had almost doubled to 3.7 miles. One of the key factors influencing length of journey was found to be legislation promoting parental choice.[109] Another key factor would be the trend away from walking and bicycling to school. A 2018 survey suggested that more than two-thirds of Australian students travelled by car to school with safety concerns cited as a key reason.[110]

The cumulative impact of these trends on traffic congestion is difficult to quantify, but it is likely to be significant. We know, for example, that traffic in Sydney is estimated to decrease by 7-10 per cent outside school drop-off hours. According to the NRMA, a decrease in traffic congestion of five per cent would increase average speed by 50 per cent.

Traffic congestion (and public transport) associated with moving more students longer distances between home and school has economic consequences affecting productivity, the environment, and road infrastructure maintenance. It also has time costs for parents and can impede their ability to work or work longer hours. Parents with poorer access to a vehicle or whose work hours preclude drop off and pick up are less able to exercise choices that might otherwise be available to them. Poor public transport links also reduce the scope for students from some locations to access other schools. Hence disadvantage is reinforced through the travel arrangements, as well as adding to congestion.

[105] Core Data (2017), *The Australian Education Survey Data Report*, Greenstone Real Insurance.
[106] Victorian Auditor-General's Report (2017), *Managing School Infrastructure*, VAGO, Melbourne
[107] Jordan Baker et al, *Why school shopping is killing off the local high school*, The Age, accessed February 2019 at: https://www.smh.com.au/education/why-school-shopping-is-killing-off-the-local-high-school-20190222-p50zpy.html.
[108] We note that a comparison of a school's student postcodes and the school's own postcode would usefully shed more light on the extent of school-related travel.
[109] Easton S & Ferrari E (2015), *Children's travel to school – the interaction of individual, neighborhood and school factors*, Department of Town and Regional Planning, University of Sheffield.
[110] Livelighter (2018), *A nation of 'car potatoes'*, accessed January 2019 at: https://livelighter.com.au/news/A-nation-of-car-potatoes.

Figure 22 | Maximum distance travelled by students for Sydney selective public schools[111]



It should be noted though that some states are seeking to reduce the number of out of catchment enrolments. For example, in 2018 Victoria decided that schools would not be entitled to extra portable classrooms in circumstances where 50 percent or more of their students did not live locally.[112] This is estimated to affect around 15 per cent of Victorian government schools. [113]

A review of school zones in Victoria was subsequently announced with a view to curb the growth of large, popular schools. [114] Under this review the Victorian government will re-draw school boundaries, give principals greater power to limit enrolments and provide the public with clear and up-to-date information on school zoning.

The correlation between house prices and school reputation entrenches segmentation

Regardless of whether parents and students are more willing to travel distances, proximity to a well-regarded non-government or government school enhances property values. The link between sought-after school districts and house prices has been well documented in Australia and elsewhere, although there is a question about correlation and causation (high socioeconomic areas have both better-rated schools and higher house prices). A recent Australian research paper found evidence of a causal link, estimating that a five per cent increase in year 12 test scores produced a 3.5 per cent increase in house prices.[115] Another estimated that a 3.6 per cent property price rise resulted from parents being informed by property agents about the increase of NAPLAN results in a given neighbourhood.[116]

The pressure on house prices means that families with tighter budgets are 'squeezed out' (or rather cannot enter) the areas where high-ranking schools are located – one of the factors contributing to the entrenchment of social and economic segregation. This exacerbates the reduction in socioeconomic diversity within the local school which, as we saw, has long term economic and social impacts, and

[111] Smith A & Gladstone N (2018), *The Sydney students travelling 'phenomenal distances' to get to school every day*, Sydney Morning Herald, accessed January 2019 at: https://www.smh.com.au/national/nsw/the-sydney-students-travelling-phenomenal-distances-to-get-to-school-every-day-20180403-p4z7lo.html.
[112] Cook H (2018), '*A clandestine strategy to wind back parent choice',* SMH, accessed March 2019 at: https://www.smh.com.au/national/victoria/a-clandestine-strategy-to-wind-back-parent-choice-20180527-p4zht3.html
[113] Ibid.
[114] Cook H (2019), *School zones set to be redrawn in move that may concern parents*, The Age, accessed March 2019 at: https://www.theage.com.au/national/victoria/school-zones-set-to-be-redrawn-in-move-that-may-concern-parents-20190222-p50zp5.html
[115] Leigh A & Davidoff I (2007), *How much do public schools really cost? Estimating the relationship between house prices and school quality*, Discussion Paper No. 558, Australian National University Centre for Economic Policy Research.
[116] Haisken-DeNew *et al* (2017), *Unawareness and Selective Disclosure: The Effect of School Quality Information on Property Prices*, Melbourne Institute Working Paper No. 03/17, University of Melbourne, Melbourne, accessed January 2019 at: https://melbourneinstitute.unimelb.edu.au/publications/working-papers/search/result?paper=2254773.

contributes to a downward spiral for the lower-performing school districts. Meanwhile, homeowners in the vicinity of the higher-demand or more elite schools not only enjoy the rise in asset value but, because the prime residence is excluded from pension tests and capital gains taxation, there is no sharing of their windfall gain across the rest of the population. The desire to 'age in place' also means that the property turnover in areas with long-established high-performing schools is lower, which in turn contributes to more travel as the nearby population ages and students come from further away.

Non-government schools often occupy prime real estate, with limited shared benefit

Whereas government schools can often double as a community facility – maintaining sports grounds for example that are open for more general use – non-government schools are not so accessible. At the elite end, the grounds can cover large swathes of land of high value, for which they do not need to pay rates. One study showed that in the North Sydney area, which includes seven non-government schools, the Council is foregoing around a million dollars (in 2013 figures) in rates each year due to their exemption.[117] The same study showed that many schools were expanding their holdings of private lands often for non-educational use.

In addition to revenue foregone from taxes, there is an opportunity cost in terms of the potential to develop the land for higher commercial purposes.

5.3 Costs for the Commonwealth and state governments take several forms

Segmentation in schools has raised the cost of delivering education in Australia. Most of these additional costs fall on state and Commonwealth governments. The costs arise from:

- underutilised school buildings and other resources – mainly due to lost economies scale
- higher costs of delivering education services in disadvantaged schools.

At the same time, the amount of funding invested in schooling across the board challenges the claim that having a large proportion of students attending non-government schools represents a saving to government.

5.3.1 School buildings not being used efficiently raising the cost of education provision

Capital investment by governments in schools is significant. Such investment falls into two broad categories: the Commonwealth Government's fund (with around $145m committed from it for 2019); and state spending to build and upgrade schools. Current arrangements within the schooling system have resulted in variable utilisation rates of such capital.

Not all schools are well-utilised, a risk heightened by current school system arrangements

In an ideal system, the supply of school infrastructure would align closely with the demand for school education in each suburb or region, but this is difficult to get right. Evidence suggests that there is disparity in utilisation of infrastructure in Australia, with some schools significantly below capacity and

[117] Power J (2013), *Private schools a burden on ratepayers, report says*, Sydney Morning Herald, accessed January 2019 at: https://www.smh.com.au/education/private-schools-a-burden-on-ratepayers-report-says-20130927-2ujr6.html.

others requiring demountables to accommodate excess students.[118] Unsurprisingly, utilisation is highest in major cities and lowest in very remote areas.

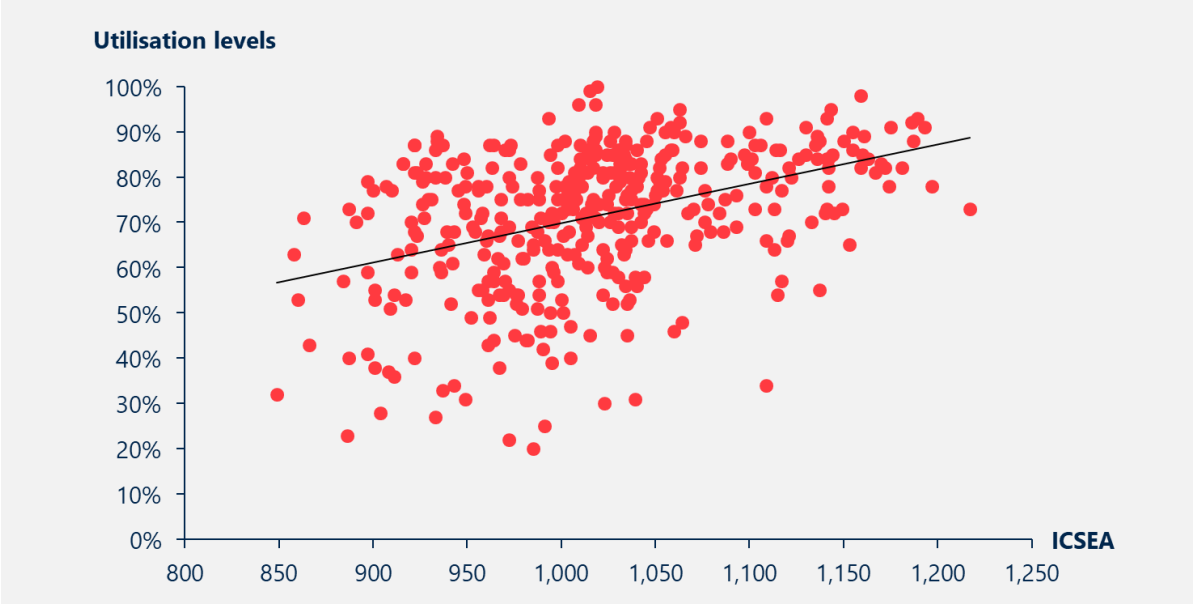
From an economic impact perspective, the main concern arises where there are highly utilised schools (typically a popular non-government school) alongside those that are not (oftentimes a low-performing or residualised public school). This phenomenon is more likely to arise in the inner suburbs experiencing an influx of higher-income families.

The risk of underutilisation is greater in systems where there are market-like conditions. As the OECD notes, for market-mechanisms to work – that is for choice and competition to have any effect on quality – a certain amount of redundant capacity is required (a point that is rarely noted in empirical research).[119] The OECD acknowledges that such redundancy is hard to justify given the draw it has on taxpayer funds.

In Australia, where some families and schools operate in a context of more market-like conditions than others, there is a stronger likelihood of schools having redundant capacity, and others being overutilised. Research conducted by Stephen Lamb of enrolments in ACT schools between 2010 and 2016 confirmed expectations that market mechanisms had led to more desirable schools (i.e. those with a higher SES cohort) growing and less desirable schools (i.e. those with a lower SES cohort) shrinking.[120] This has consequences for the sunk costs in building assets.

The interplay of choice and competition on redundant capacity is depicted in the graph below. This figure compares school ICSEA and school utilisation levels for Queensland government schools in major cities (i.e. those cities with a population over 100,000) and shows how current arrangements result in overcrowding in some schools and unused capacity in others.

Figure 23 | Utilisation and ICSEA comparison for Queensland government schools in major cities



[118] Baker J & Gladstone N (2018), *'School shopping': The trend leaving Sydney's high schools half-empty*, Sydney Morning Herald, accessed January 2019 at: https://www.smh.com.au/national/nsw/school-shopping-the-trend-leaving-sydney-s-high-schools-half-empty-20180906-p5021k.html, Sydney Morning Herald (2018), *School overcrowding must be addressed sooner rather than later*, Sydney Morning Herald, accessed January 2019 at: https://www.smh.com.au/national/nsw/school-overcrowding-must-be-addressed-sooner-rather-than-later-20180208-p4yzqe.html.

[119] Waslander S, Pater C & Weide M (2010), *Markets in Education: An Analytical Review of Empirical Research on Market Mechanisms in Education*, OECD Education (Working Paper 52), OECD Publishing, Paris, accessed January 2019 at: http://dx.doi.org/10.1787/5km4pskmkr27-en, p 55.

[120] Lamb S (nd), *Government school performance in the ACT* (redacted), CIRES and Victoria University, Melbourne.

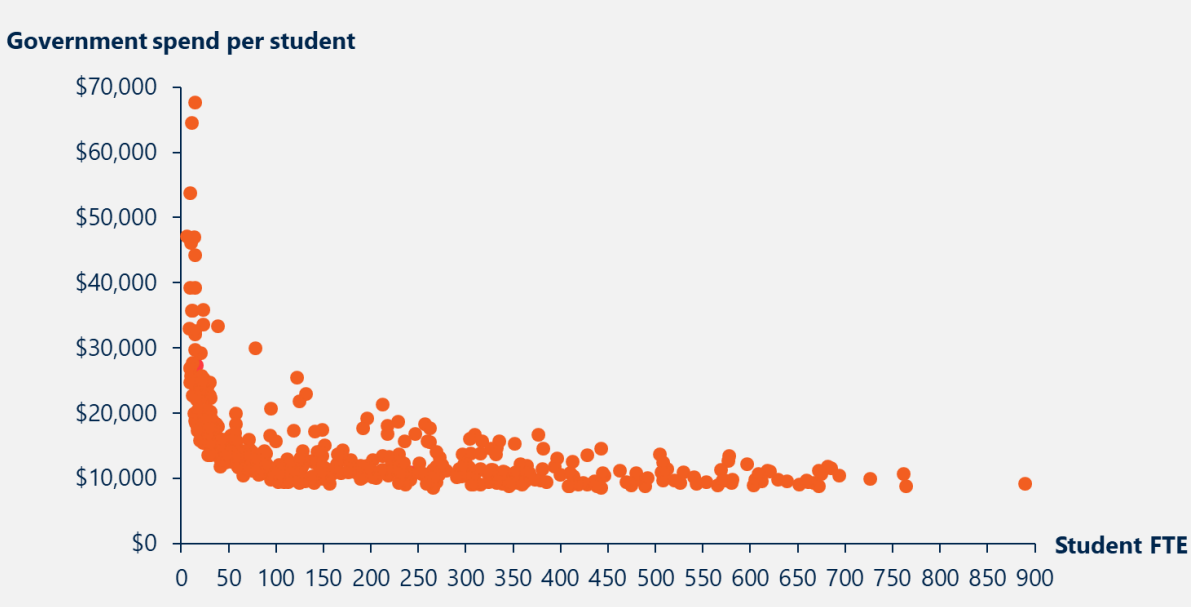
The opportunity cost of having idle school capital, while simultaneously needing to invest in temporary or larger school buildings to accommodate excess students, is significant. It could cost well in the order of tens of millions of dollars based on the amount of capital being invested each year.

Cost savings could arise from a reduction in the number of underutilised schools

Underutilised schools cost more to run as they lose economies of scale. By contrast, popular and successful schools usually cost less per student.[121] This has consequences for the taxpayer, and is one reason why governments have progressively moved towards larger schools.

While it is true that smaller schools receive higher SRS loadings due to their size and any applicable factors such as remoteness, indigeneity or SES status, attempting to control for these other loadings still reveals higher unit costs per student. An analysis of government secondary schools in NSW illustrates this point. Comparing student numbers to government spend per-student in major cities (i.e. where remoteness, indigeneity, and SES loadings are less apparent) we see that, as student numbers reduce, per-student costs rise exponentially (see Figure 24).

Figure 24 | Relationship between government spend per student and student FTE per school (school type: government secondary schools in major cities in NSW)



5.3.2 It is more expensive to provide educational services in schools with higher shares of disadvantaged students

Schools that are on a declining trajectory, as opposed to those that are simply lower utilised, face a range of other unique costs which increase the burden on governments. Data published by the OECD indicates that disadvantaged schools often have higher teacher turnover that not only impacts quality, but also results in schools spending more time and resources on hiring and upskilling staff.[122]

As discussed earlier, schools on a declining pathway often are less socially mixed and have students with higher needs. Laura Perry, Associate Professor at Murdoch University, observes that this makes schools

[121] Rorris, A (2016), *Australian Schooling – The Price of Failure and Reward for Success*, Australian Education Union, p 31.
[122] OECD (2018), *Equity in Education: Breaking Down Barriers to Social Mobility, PISA*, OECD Publishing, Paris.

more expensive to operate[123], while separate modelling by education economist Adam Rorris showed that turning around failing schools in low-SES communities can reduce the costs of schooling. A key factor in this is the higher teacher costs that come with the need to maintain curriculum breadth while also providing specialised supports for high needs students.[124]

5.3.3 Funding arrangements are not cost-effective

Government funding is not yet truly 'needs-based' and so could be used to better effect

While the SRS loadings are designed in part to meet such additional costs, it is not yet evident that they are having an effect – certainly not on a system-wide level. As has been commented upon at length, the implementation of the 'Gonski' reforms fell foul to political pressures and the intransigence of vested interests, with the upshot being that:

- **The funding system is not 'sector-blind'** – funding allocations have continued on a sector basis, albeit with a common underlying formula and rationale. The Commonwealth negotiates directly with the Catholic system and the Independent sector to agree terms quite different to those secured with the states. The States and the Catholic Education Commissions distributed funding according to their own respective priorities and interpretation of need.
- **The distribution of funding has not been truly 'needs-based'** – many schools that did not need it, received an increase in the level of public funding. This was due to a range of special deals to secure political support and preserve the Government's commitment to 'no school being worse off'.

It was not just the non-government sector that fared well. As has been well-documented, several selective public schools also were 'over-funded' in the wake of these reforms. The Turnbull Government sought to wind back the amount of funding flowing to schools that didn't need it by shortening the transition period over which schools would need to adjust to the new SRS and introducing a more accurate measure of parents' relative capacity to pay.[125]

Since that decision, however, the Catholic and Independent sectors have received an injection of some $4.57b over 10 years to assuage their concerns about a decline in public funding.[126] It is difficult to justify the need for this additional funding, and public explanations at the time (including making a connection to drought relief) were not compelling, particularly given that it is subsidising additional services not available to public school students.

It is also hard to follow where the funding will be used and to what effect.[127] While there is a case for supporting Independent and Catholic schools in under-served communities that are not able to pay fees, it is not clear that this additional money will in fact be used for such purposes. Rather, history tells us that amounts surplus to the SRS amounts typically are used to fund investments that improve school reputation and lift enrolment demand. This includes:

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[123] Perry L (2016), *To reduce inequality in Australian schools, make them less socially segregated*, The Conversation, accessed January 2019 at: https://theconversation.com/to-reduce-inequality-in-australian-schools-make-them-less-socially-segregated-95034.
[124] Rorris, A (2016), Australian Schooling – The Price of Failure and Reward for Success, Australian Education Union, p 31.
[125] The latter is important as it determines the amount to be deducted from the school resourcing standard-based funding formula, with the balance amounting to the Australian Government subsidy for the relevant non-government school. The new measure looks at actual incomes of school parents rather than relying on income data for the area in which the school is located. Given the above discussion on the amount of out-of-area school attendance, this is an important improvement in the rigour of school funding calculations.
[126] Bolton R (2018). *Catholic and Independent schools get $4.6 billion extra funding as federal election looms*, Financial Review, accessed January 2019 at: https://www.afr.com/news/policy/education/catholic-and-independent-schools-get-46-billion-extra-funding-as-federal-election-looms-20180920-h15mie.
[127] The argument has been put that the Turnbull Government's requirement for more transparency in allocation of funding to schools was the prime reason for the Catholic Education Commission's opposing them. See Maiden S (2018), *How the Catholic schools sector outplayed the Coalition*, The Guardian, accessed January 2019 at: https://www.theguardian.com/australia-news/2018/nov/06/how-the-catholic-schools-sector-outplayed-the-coalition.

- capital investment in new facilities and improved amenity
- costly extra-curricular activities
- salaries for school leaders
- marketing of the school.

It is difficult to obtain figures on such expenditure, but we do know that school fees have risen by amounts greater than CPI. School authorities argue that school education costs in fact exceed CPI, but variations between schools suggest that some of these costs can be attributed to over-servicing. In the six years to 2015, for example, capital expenditure on high ICSEA (over 1,150) Independent schools greatly exceeded the capital expenditure on similar ICSEA government and Catholic schools combined. Also noteworthy is that the salaries of some principals in Independent schools can range from $400,000 to $650,000 (and potentially more), significantly more than the salary of a government or Catholic school principal.[128]

School choice is not delivering savings to government that many assume

For over five decades it has been argued that the existence and funding of non-government schools has represented a considerable cost saving to governments. For much of that time it was quite evident that private-sourced funding, especially from parents, formed a large part of those schools' recurrent income. However, this situation has changed over the past two decades, which have seen funding from the two levels of government reach new heights.

In 2015, governments funded most Catholic schools at between 91 and 99 per cent of the level of recurrent funding provided to public schools with students at similar ICSEA levels.[129] Most Independent schools in that year were funded at between 81 and 97 per cent. If and when their funding reaches 100 per cent (or more) it will mean that all Australian students within a wide ICSEA range will, regardless of sector, be funded by governments at similar levels.

To lift the non-government school recurrent funding to 100 per cent in 2015 would have cost around $1.3b, or around 3.3 per cent of total government-sourced school recurrent funding in that year. This is well below the figures often claimed, including $4.6b in the case of Independent schools alone.[130] The continuing increases in non-government school funding since then, along with additional funding under the so-called 'special deals' have almost certainly further reduced the $1.3b cost of fully funding both Catholic and Independent schools.

5.4 There are adverse consequences ultimately for the economy

This section has set out the costs that rising segmentation of the school system are having in terms of:

- Costs to families – who may be paying more than they should, given the premium on 'elite' schools' and the minimal effect, if any, that this has on educational outcomes and for some going into financial stress to do so
- Costs to the community – in higher transport costs, house prices, less access to recreational and other community resources, and costs to local councils in lower rates
- Costs to governments – as they face additional costs of providing education due to underutilised school buildings and resources, and higher costs of providing education to disadvantaged students,

[128] Hall, L (2017). *Kambala ex-principal takes private girls' school, teachers to court for defamation*, ABC news, accessed January 2019 at: https://www.abc.net.au/news/2017-10-18/ex-principal-of-kambala-sues-school-for-defamation/9057116; Reid, J (2016). Top-earning principals' pay packets revealed, The Educator, accessed January 2019 at: https://www.theeducatoronline.com/au/news/topearning-principals-pay-packets-revealed/219072.

[129] Bonnor C & Shepherd B (2017), *Losing the Game: State of our schools in 2017*, Centre for Policy Development, Sydney and Melbourne.

[130] Independent Schools Council of Australia, *The school funding partnership*, accessed January 2019 at: https://isca.edu.au/about-independent-schools/school-funding/the-school-funding-partnership/.

while actually not saving very much at all as many private schools receive subsidies almost equal to their resource standard.

There is another major source of cost to the nation, which follows on from the financial and social consequences of school segmentation. As noted in Section 4, inequity in education compounds over the life course so that those who are 'left behind' in school have lower employment prospects, lower incomes, worse health outcomes, higher rates of interaction with the criminal justice system and higher rates of family breakdown.

Education and the development of human capital also has a strong positive association with productivity for individuals, firms and the economy as a whole.[131] It has been estimated that the fall in Australia's PISA performance from 2009 to 2015 roughly equated to $119b in lost productivity. This represents the net present value of economic loss each year from 2019, when the PISA 2015 cohort enters the job market, to 2070, when that cohort leaves the workforce.[132]

While based on several assumptions, which can be challenged, the general principle is self-evident. There are significant costs attached to lower education outcomes, particularly as other countries outstrip our performance and thereby become more attractive as a destination for investment and partner in trade and innovation. These costs will grow as digital technologies change the nature of the labour market, raising the demand for higher-order skills. The risk for those at the bottom of the educational outcome profile is particularly concerning. Estimates suggest that the value associated with education inequity, that is the impact of growing the educational gap between top performing and bottom performing students, equates to roughly $20b of the overall cost of declining performance.

Key points and implications

- Our current school arrangements lead to a range of additional costs for parents, community, government, and the nation. Some of these inefficiencies are obvious yet others, particularly community costs, are more hidden.
- The assumption that non-government schooling will lead to better academic outcomes is leading some parents to pay beyond their means for schooling, putting stress on the family through extra debt or having to do without. Yet analysing academic standards across sectors illustrate that once SES is factored in, there are negligible differences in academic outcomes between the sectors.
- Communities bear a range of costs that arise from schooling choice. Increased travel to attend 'schools of choice' imposes environmental, congestion and a number of other hidden costs on society. Purchasing property near to high performing schools exacerbates the problem of segregation by locking out families with lower SES in certain school catchment zones.
- Government bears a range of costs. These include lower utilisation and higher per student costs in some public schools arising from segregation within our system. They also include the expenditure needed to appease stakeholders who have historically received more funding allocation than is required (according to estimates of the 'efficient price' of schooling). As a nation, the poor outcomes for students at the bottom end of the distribution has been estimated to cost productivity around $20b over their working life. The human cost of higher rates of unemployment and the intergenerational effects is much higher.

[131] Australian Workforce and Productivity Agency (2013), *Human capital and productivity – Literature review,* AWPA, Canberra.
[132] Hetherington D (2018), *What Price the Gap? Education and Inequality in Australia*, Public Education Foundation.

6 Concluding remarks

In the first section of this report, it was argued that Australia's two substantial re-organisations of schooling delivered something very different from their announced objectives. At the level of politics and governance, the legacy was:

- a clumsy and inefficient way of organising, funding and governing schooling
- public debate focussed narrowly on funding levels, and division of opinion closely linked to entrenched interests and policy formation
- a dysfunctional federalism which has denied Australia the settlements reached in some other countries.

The arrangements that emerged from the post-Karmel re-organisation were codified and entrenched through the governance, regulatory and funding measures put in place since by successive governments. Those structural features in turn enabled a dynamic of choice and selection that played out quite differently in opposite ends of the system.

The upshot of these historical, structural and behavioural forces on our education system was an unlevel playing field – one whose features include:

- a very large gap between the highest and lowest levels of per-student funding
- a division between free and fee-charging schools that is unfair to many families
- an equally unfair division between families with a high degree of choice of schooling and those with little or no choice
- hidden costs and opportunity costs for families and communities
- a high and rising degree of segmentation based on socioeconomic status, ethnic and religious affiliations.

These trends and circumstances have given rise to a range of serious, unintended consequences for Australia's educational performance, with academic outcomes declining in schools across the spectrum, and diminished opportunities for students to experience a richer social or 'informal' education. Rather than promote innovation that lifts quality, instead we see competition more typically manifesting in more expensive facilities and more marketing directed toward desirable students and families.

Students suffer the effects of an inequality in opportunity and in educational and social outcomes, with longer-term impacts on employment and life trajectories. The consequences are wide-ranging and multigenerational.

None of this, of course, is consistent with a liberal, multicultural, democratic and egalitarian society of the sort that Australia believes itself to be.

A 'wicked' problem that must be confronted

Governments have sought to tackle the declining performance and growing inequity of the system, most obviously through the adoption of 'needs-based' funding. But it is not working. And it is not working because it does not address the other structural features of the system – the different regulatory and governance arrangements that see schools and families at different ends of a spectrum enabled and constrained in distinct and opposing ways.

This fundamental tension between the two 'logics' of our system – one predicated on publicly-subsidised of choice and competition, and one on fully-funded universal access – can only be addressed through a first-principles re-validation of the broader purpose of schooling and of the rights and obligations of schools that receive public funding. That is the first step, and then the real work begins.

It is a Herculean task to challenge the deep historical and social roots to the problems identified in this paper. But the imperative for a third re-organisation to level the playing field is too great and too urgent.

The goal is to build a strong evidence base and consensus for far-reaching change

This work reflects some two years of thinking, researching and engaging with scholars, educationalists and public policy professionals. The authors have been encouraged by the degree of support from others to 'bell the cat' about the crisis we face if we do not act comprehensively. We have also attracted a wide range of endorsement for the ambition to seek a more level playing field in schooling, including by tackling the differentiated approaches to choice and selection in our system.

Our hope is that this paper provides a new platform on which to further build understanding of the problem at hand, and to begin to develop potential approaches to a new 're-organisation'.

This must be a well-evidenced enterprise and it must be inclusive of all informed views and key stakeholder perspectives. We trust that the process will continue in the spirit in which it began and that it, of course, is ultimately successful in building the necessary consensus that can override the barriers of inertia and political risk.

Appendix A The construction of an unlevel playing field

A.1 A single system?

Australian schooling has experienced two substantial re-organisations, the first beginning in the early 1870s and concluding in the 1890s, the second running from the 1950s to 1973.

The first saw the emergence in each of the six states three school 'sectors', each with its own funding, administrative arrangements and clienteles: a government system, funded from the public purse, secular, obliged to take (almost) all comers, and enrolling around three quarters of all students; a loose network of Catholic schools, newly denied public subsidy and therefore dependent on modest fees and contributed services but free to select and exclude, catering to one fifth or so of the total number of students; and a scattering of free-standing schools, most affiliated with one or other of the protestant denominations, also denied public funding and therefore fee-charging and selective, and often exclusive.

The second upheaval retained the three-sector system in each of the states, including differences in rights and obligations; restored government subsidies ('State Aid') to schools in the non-government sectors; and saw the federal government involve itself for the first time via funding of various kinds and levels to all three sectors.

Each of these re-organisations aimed at producing a single coherent 'system', but both delivered something close to the inverse. It is the argument of this paper that a third re-organisation, coming to terms with the two earlier re-organisations and learning from them, is now needed, and possible.

A.2 The first school re-organisation (1870s-1890s)

Between 1820 and 1860 the number of British colonies on the Australian continent grew from two to six. As the Europeans' frontiers pushed far into the continent towns, hamlets grew from dozens to hundreds and then thousands, and the European population soared from 30,000 to well in excess of a million. (Campbell and Proctor, 2014, 32) The number of schools and students grew even more rapidly. Employers increasingly wanted numerate and literate employees, parents hoped to give their children a better life, churches wanted to consolidate their flocks and combat godlessness, and governments wanted to tame potentially unruly citizens. The authoritative history of Australian schooling calls this the age of the school entrepreneurs, and there were hundreds, perhaps thousands of them, ranging from widows delivering basic instruction to four or five children in a cottage to grand corporations formed by colonial gentry wanting Antipodean Etons and Harrows. In between could be found almost any kind of individual or organisation except governments. They did not attempt to provide but did try to support and influence. The difficulty was that most of the entrepreneurs were instruments of, or affiliated with, a church and there was no one church that could claim a substantial majority of the population as its own, not the Catholic Church, not any of a miscellany of the 'dissenting' protestant denominations, not tiny minorities of non-Christian religions, not even the Church of England.

The most notable and revealing of many attempts to deal with these difficult facts was made by Richard Bourke, Governor of New South Wales in the 1830s, when that colony still included what would become Victoria and Queensland. Bourke's first move was to subsidise all in proportion to their numbers of adherents. His second was to suggest that the colony should follow the example of the Irish National System, which laid down a curriculum combining secular with 'common Christian' elements, and permitted additional religious instruction to be provided by the churches (Campbell and Proctor, 2014, 39). Bourke was supported by the Catholics and therefore opposed by the Anglicans, who enlisted other protestant denominations in a campaign against such subversion of Bible-based schooling. Bourke (and the Catholics) lost; the protestants, united for once, won.

Other schemes were tried in the new colonies of South Australia, Victoria, Queensland, and Western Australia. All opted, sooner or later, for a solution owing much to material facts: the school market and its entrepreneurs were responsive and flexible but also chaotic, and incapable of meeting many needs. Schools of differing sizes, kinds and affiliations sprang into being but often disappeared again just as quickly. Like New York's subways, schools crowded the lucrative areas, sending each other broke in the process as well as leaving other populations (including those in a rapidly-increasing number of country towns and hamlets) with few or no schools at all. Something more *systematic* was needed. But on what basis?

Thirty years on, governments fed up with the incapacity of the churches to agree on a common scheme of subvention resurrected and expanded upon the idea underlying Governor Bourke's proposals: schools would be 'secular', not in the sense of being godless but in providing a common ground on which all could meet, leaving religious differences at the school gate or to church-provided religious instruction in periods set aside for that purpose. The state would move from regulation and subsidy to provision. Its schools would be built and run by new Education Departments answerable not to a church (or god) but to a minister in the government of the day.

This time it was the Catholics not the Anglicans who provided the stumbling block, and not without reason. The push for 'secular' schooling clothed itself in the robes of equality, fraternity and the separation of church and state, but these were not innocent principles. They owed much to political Liberalism which, with its commitment to the individual's freedom to exercise his or her own conscience and reason, had its foundations in the Protestant Reformation. It 'tended to see Catholics as backward and superstitious people who had given over their judgement to priests'. Moreover, since most Catholics in the Australian colonies were of Irish extraction their loyalty to king and country was always in question. Prejudice blurred into hostility and sometimes into what would now be called racism: the Irish were regarded by many as a lower order of being (Brett, 2017, 62). In the face of these threats and assaults the Irish, already hostile to the protestant English that had starved and pauperised them, drew closer to the Catholic Church (the Church) as an expression of their identity and as the principal means of defence. For its part, the Church in Australia as elsewhere was raising its defences against the threats of science (*Origin of Species* was published in 1859) and the secular liberalism of which the Australian schooling proposals were a prime example and instrument. In 1864 it promulgated the Syllabus of Errors, and in 1870 declared Papal Infallibility.

The two sides formed and hardened in the course of an increasingly bitter struggle and parted on bad terms. Legislation and regulation to abolish school fees in public schools, to withdraw State Aid, to establish centralised Education Departments answerable to the Minister, to compel attendance, and to develop new 'secular' curriculum was introduced in varying sequences and combinations. (Campbell and Proctor 2014, 74) High-flown rationales were often honoured in the breach: 'compulsory' attendance came with lax oversight and plenty of exemptions, fees were paid for some government schooling well into the twentieth century, and religious instruction was routinely provided, albeit on a constrained basis. But on State Aid there was no bending. With insignificant exceptions in two states (Queensland and New South Wales) the 'non-government' schools were cut off without a penny. The Liberalism that refused public support to religious education also shrank from its prohibition, however. The Church, denied the public support to which it felt entitled, was permitted and determined to go it alone, the poverty of its flock notwithstanding. By combining modest fees with low standards of provision and the cheap labour of nuns and brothers shipped in from Ireland and elsewhere, it did. The protestant churches withdrew from schooling for the common people to concentrate on the middle and upper classes, where their 'corporate' schools overwhelmed most genuinely 'private' schools.

By the time the six Australian states had become a federation, a unique history, geography and demography had given Australia a unique organisation of schooling and focus for debate about schooling. One side insisted that freedom of religious expression included freedom to choose a religious school; those who so chose paid taxes and were entitled to public support. The other side was just as vehement in insisting that no-one was compelled to patronise fee-charging schools and if they did, well, be it on their own head. There was no innocent party. The minority felt oppressed by the majority; the majority felt subverted by the minority. Neither side got what it wanted; both got what they didn't. The common

people were divided between two kinds of school in towns and cities across the country, while elites had their own exclusive and excluding schools. Sectarianism was deepened and had assumed institutional form; schooling became its main site. 'State Aid' was established not just as a central issue in the politics of schooling but as the ground on which other battles would be fought. It was well on the way toward becoming a 'wicked problem'.

A.3 The collapse of the first re-organisation

For fifty years or more it did not look like a problem at all. The Catholics nursed a deep sense of grievance, but for fear of sectarian backlash they kept it to themselves. State Aid was a matter of indifference to federal governments; the new nation's constitution was perfectly clear in making schooling a matter for the states. In the states, governments formed by the insurgent Labor Party had good reason to leave well alone. Their support came from both the Catholic and the non-Catholic working class. State Aid was rich in potential for internal division and electoral disaster. Conservative governments were defined explicitly by their opposition to Labor and implicitly by Protestantism and were therefore deeply opposed to State Aid. Their supporters were well served by the free government schools and increasingly exclusive 'Greater Public Schools'. As Australia entered another world war in 1939 it was not at all obvious that an apparently enduring settlement was in fact being eroded by developments within and around schooling. 'It would take nothing short of a religious revolution to alter the minds of Australians on this question', one commentator observed confidently in 1937. (Portus quoted in Grundy 1972, 2) The war was scarcely ended before subterranean realities became obvious to all. Catholic schools faced deepening problems of both demand and supply.

On the one side, Catholic families were stalwart contributors to the post-war baby boom, and Catholic numbers were further boosted by substantial Catholic immigration. As well, Catholic children were like other working-class students increasingly staying on past the primary years. On the supply side the Church found itself having to provide not just more schools and teachers but expensive secondary facilities and better-educated secondary teachers, but at just the moment that low-cost religious labour was becoming less available, and less capable of serving in ways now required. By the late 1950s, the Catholic school system was at the point of collapse. A strategy developed well back in the nineteenth century could no longer hold. Poorly-trained and under-educated teachers faced classes of sixty, seventy or even more, often solving the problem of discipline with free use of cane or strap. (O'Donohue, 2001, 41-70) Parishes were going deep into debt to pay for even that under-provision. Employing lay teachers to reduce class sizes and to staff secondary schools, and building expensive secondary facilities, was simply impossible. As a famously farcical incident (discussed below) demonstrated, the Church could not even provide enough school toilets. Things could not continue as they were.

What might now seem obvious solutions were scarcely canvassed. Governor Bourke's proposals were not resurrected. Nor was there any move of the New Zealand kind, an 'integration' of government and religious schools which allowed the latter to keep their 'special character'. To understand why such possibilities were not considered, and why, in consequence, Australia now has an internationally unique way of organising, funding and operating schooling, it is necessary to plunge into the detail of politics within and between the Labor Party and the Catholic Church, institutions so similar in many respects, and so deeply entwined, that their politics often took the character of a civil war, much of it fought on the battlefields of State Aid.

In the post-war years, Labor was in office more often than not, particularly in the two big states of Victoria and New South Wales. Predominantly Catholic Labor governments and premiers were inclined by heritage and electoral need to find some aid, but what could they do? For one thing, state governments had trouble enough finding money for their own bulging institutions. Federation had left them with the responsibility for schools, but wartime legislation had taken away the taxation powers they needed to pay for them. And for another, they were exceedingly anxious to avoid stirring the hornet's nest of State Aid. So was the Church, that is to say, the bishops – neither the laity nor the teaching orders had any say or

role in the matter (nor, it followed, did women). As Michael Hogan (Hogan, 1978) put it in his definitive history, the bishops set out not to change public opinion but to go around it, and they did.

The solution, arrived at semi-covertly, was an under-the-counter trade conducted within boundaries well understood by both sides. Aid to meet educational expenses, yes; for staffing or building costs, no. To families and students, yes; to schools or school authorities, no. 'Indirect' and aid, yes; 'direct' and explicit aid, no. From state governments, yes; from the federal government, no. A patchwork of arrangements made within these distinctions gave Australia in the mid-1950s something reminiscent of pre-abolition reality combined with a post-abolition appearance. Aid ranged from the relatively straightforward (scholarships, bursaries and allowances, tax deductions, free milk, stationery and bus passes) to the truly ingenious and obscure, such as grants for Catholic parent associations to match those given to their state school equivalents, and subsidies for school pianos.

Whether such arrangements could have been sustained and/or have expanded to cope with galloping need is open to question. In any event they were destroyed by three explosions in short order: the Labor Split of 1955, the Goulburn school 'strike' (or 'lockout') in 1962, and a spectacular victory by Gough Whitlam and his schools policy at Labor's national conference in 1966.

The Labor Split: In 1955 anti-communist Catholics marched out of the Victorian branch of the Labor Party to form what would become the Democratic Labor Party, or DLP. Hogan likens the post-split relationship to a soured romance, but that was in New South Wales. In Victoria it was a vicious divorce. With many of the Catholic members now gone to the DLP, Labor's protestants revived the old battle cry of free, compulsory and secular. In Victoria particularly, and in the national machinery of the party, anti-State Aid feelings and forces mobilised. Long-serving federal secretary, Joe Chamberlain, hitherto content to leave the under-the-counter deals to the state branches, became a ferocious opponent of State Aid in any form, determined to choke off supply to the treacherous Catholics. Labor descended into a tangle of cross-cutting divisions – between left and right, pro- and anti-aid, Catholic and Protestant, between the states (again, New South Wales and Victoria especially), the state party machines and governments and the federal office, and between an old guard led by (Catholic) Arthur Calwell and a new guard dominated by (Protestant) Gough Whitlam.

As for the Church, differences among the bishops, particularly those from Victoria and New South Wales, were greatly complicated by rising agitation among the laity, and especially among those who had the thankless task of running schools and a school system careening toward collapse, fed up with the ineffectual bishops and their backroom manoeuvres. But the laity, too, was divided, between militants and gradualists, and between those loyal to Labor and those whose loyalties lay elsewhere.

The Goulburn 'strike': In July 1957 the NSW Education Department issued a 'certificate of efficiency' to Our Lady of Mercy Preparatory School in Goulburn, in south-central New South Wales, conditional upon the installation of another seat in the boys' toilet. (Accounts differ on this and other details. It was just one seat according to Hogan, three according to political historian, Jenny Hocking, and an entire toilet block according to the *Bulletin's* man on the spot, Peter Kelly.)

The parish was beyond broke; its expenditure on schools had sent it into heavy debt. It temporised. The government authorities turned a blind eye for as long as they could, but then registration inspections came around again. The department told the parish that there would be no registration this time without the toilet upgrade. The local bishop, recently installed in office at the unusually early age of forty-two, was nettled. After consultation with a small group of (male) laity he decided to go public. In the course of a speech on St Patrick's Day, and in the presence of the local (Labor) member of the state (Labor) government, he said that the school might have to be closed. The certificate was promptly issued, pending advice that toilet facilities met requirements.

The Goulburn Catholics now asked to see the minister. The minister refused. The bishop said that if the government wanted the school to stay open it could always pay for its requirements to be met. More compromises were attempted, without success. The bishop then wrote to the minister, inviting him to attend a public meeting arranged for four days hence. Seven hundred people – not including the minister – turned up, and voted 500 to 120 to close not just Our Lady of Mercy Preparatory School but Goulburn's

five other Catholic schools as well. Two thousand children would be instructed to seek enrolment at their local state school. The next day the 'Goulburn Strike' (or 'Lockout') was on front pages around the country.

The strike moved State Aid from the backrooms to the middle of the political agenda. Initial media hostility soon turned to consensus that 'something had to be done'. The Catholic schools could not be allowed to collapse. Goulburn's state schools were stretched to accommodate even one third (or a half – reports vary) of the 2,000 applicants, leaving the rest with nowhere to go. Imagine that scenario across the country! Governments were getting exactly the intended message. Perhaps most significant but least noticed was that the Catholic parents and students of Goulburn had made their requests for enrolment courteously, and the state schools responded in that same spirit. Some of those enrolled in state schools stayed there after the strike was over. Sectarianism was dying.

The strike presented almost as many difficulties for the bishops as for the government. They had lost control to the laity, and their *sotto voce* requests for bits and pieces of aid were increasingly seen as craven as well as ineffectual. On the government side, the (Catholic) premier made a great show of refusing to be bullied and then let it be known that he would be open to representations from the Church. The Church delegation was headed by the cardinal himself, and made a list of its requirements available to the media. It demanded more scholarships, help with teacher training and salaries for lay teachers, and support for capital works including science labs in particular.

The premier had the advantage of a Protestant-dominated conservative opposition, unfriendly to Catholics and to aid, plus more than two years to the next election, plenty of time to get the Party onside. His optimism was misplaced. The state conference endorsed aid of the science laboratory kind, only to be slapped down by its federal counterpart, urged on by national secretary, Joe Chamberlain. The NSW government was instructed to 'recast' its plans. New South Wales resisted, and met with an even more stinging rebuke. It was required to submit all decisions on State Aid to the federal secretary 'for consideration and advice.' The lesson for the Church was that Labor could not be trusted to deliver.

Prime Minister Robert Menzies – Protestant, no enthusiast for State Aid, firm opponent of any federal involvement in schools – had been watching these events with close interest, and now saw an opportunity. Two weeks after Chamberlain's *dictat* he called an early election with a centrepiece policy of providing science laboratories to all schools, government and non-government alike. The Liberal leader had scraped home by just one seat in 1961, and Calwell believed that this time he would be prime minister. Instead, he lost ten more seats, seven of them in New South Wales. Then it was the state party's turn. In May 1965 the NSW Labor government fell. It had been in office since 1941. The shift in the Catholic vote and in the Church's allegiance away from Labor and toward the conservatives, commenced by the 1955 split, was accelerating. First the Church found that it couldn't trust Labor, then it discovered that it no longer had to.

A.4 The second school re-organisation (1960s-1973)

The sharp end of the Menzies wedge fell first on Labor's federal MPs. Come the next election, would they promise to cancel the science labs? In May 1965 caucus decided, albeit by a narrow margin, that no, it would not undo 'existing arrangements'. The wedge now pointed at the federal conference of the party. Calwell supported a move to dodge the question by having it referred to a national advisory committee on education. The committee was dominated by Chamberlain, with Calwell in support. Its majority report to the federal executive six months later proposed that there would be no aid for school buildings or staff *and* that Labor's federal members could not support existing federal aid, including, of course, Menzies's science labs. But on the very day of the report's presentation Calwell, a personification of the agonies for Labor caused by State Aid, announced that he would withdraw his opposition to direct aid. He had been much moved by a letter from his old friend (and friend of Labor) James Carroll, auxiliary bishop of Sydney, which documented the parlous conditions for students and teachers in Catholic schools, and protested against the iniquity of denying them financial support on the ground of their religion. But Calwell was immediately prevailed upon to change his mind, again, and the Labor executive did a U-turn of its own. Not only would parliamentary members be bound to oppose State Aid but, even more startling, the possibility of a High Court challenge to its constitutionality would also be investigated.

Whitlam had been scathing about the report's internal contradictions. Now he was apoplectic. He famously determined to 'crash or crash through', labelling the federal executive 'extremists', then (on national TV) declaring them to be 'twelve witless men'. Calwell moved to have Whitlam expelled by a meeting of the national executive; he escaped by the narrowest of margins. As important to history was the accompanying decision to send the whole business back whence it had come, to federal conference. There, delegates' minds were concentrated by a looming federal election. It was agreed that Labor would not oppose existing aid, a crucial vote coming from Calwell, who had changed his mind yet again. Since the early 1950s Labor had been the frog in the pan, and by 1966 it was too late to jump. It would have to live with what a knotted history had provided, which included Menzies's 'direct' federal aid as well as the many and varied devices of the states.

By 1966 Whitlam was Labor's leader in waiting, and he believed that he knew how to rise above this history. What had long been seen as a question of religious versus secular schooling he had reconfigured as a question of meeting *need* in the interests of equal opportunity for all Australians. In place of a haphazard aggregation of measures, varying from one state to another, Whitlam was determined to put aid on a systematic basis across the nation. Against the push by a conservative-Catholic alliance for per capita grants, his aid would be according to need, and provided to government as well as non-government schools. All this would be worked out in detail and carried into practice by a grand new edifice, the Australian Schools Commission.

It is not hard to see why Whitlam believed that his plan changed everything. Amid an increasingly heated, confused and intractable debate, his proposal had cut-through. It seemed lucid, sensible and practical as well as bold. But it also changed much less than Whitlam imagined. The 'needs' approach apart, Whitlam was effectively tagging along behind Menzies and the policy of direct aid, to be provided to all schools, by the Commonwealth. Among the very first actions of the incoming Whitlam government in December 1972 was the appointment of an interim committee of the Australian Schools Commission to be chaired by economist, Peter Karmel. It handed down its report less than six months later (in May 1973).

Karmel's trenchant support for equal opportunity, its encouragement for new approaches to teaching and curriculum and to less authoritarian and centralised decision-making in favour of more 'community participation', and its special programs for disadvantaged schools, innovation, special education and the like earned it an almost rapturous reception. A generation of teachers, academics and administrators – and Labor politicians – came to see the report, the Schools Commission and the Commonwealth as sources of inspiration, salvation even, a sentiment that served to obscure more concrete and less inspiring consequences. The real business of Karmel was to work out the detail of Whitlam's plan. The three school sectors would continue to operate; all would get support from both state and federal governments, one sector fully funded, the other two aided and therefore fee-charging; levels of funding and aid would be determined by need, which would be tied to capacity to pay; distribution of those funds would be the responsibility of systems, including Catholic systems developed to manage and distribute new flows of public funds; parents would have the right to choose and, thanks to government subvention, choice would be more widely available.

The committee was clearly uneasy with the task it had been set. It was unhappy at making recommendations "in terms of structures which exist and… may not be equally relevant for all time". It fretted over how to ensure 'maintenance of effort' by both the states and the non-government schools in receipt of substantial new funding, about the 'role of fees' and about a 'changed relationship' between government and non-government schooling. These and other concerns were scarcely heard in the clamour of approval. The State Aid problem had been resolved, at last!

A.5 Problems and limitations in the second re-organisation

That illusion had a short life. Less than two years on, an economic downturn restricted the massive outflow of federal funds needed to keep the many parties happy, leaving the realpolitik of the settlement

exposed like coastal rocks after a storm. One problem was inordinate complexity combined with confusion of roles and responsibilities: three sectors, each funded and controlled in its own way, two of them getting funds from three different sources including fees, a total of seven governments, invariably at different stages of three-year electoral cycles and of differing political persuasions. This was the genesis of a funding system described forty years later by David Gonski and his colleagues (Gonski, 2011) as uncoordinated, divisive and unnecessarily complex; containing overlapping responsibilities leading to duplication and inefficiency; and lacking any coherence, transparency, or connection to educational objectives.

A related problem lay in the interaction of 'need', 'capacity to pay', and arguments about reducing fees in the interests of 'broadening access'. The new system was an invitation to gaming and, on occasion, rorting. State education departments and Catholic systems alike resisted Commonwealth efforts to attach conditions and purposes to funding and to enforce disclosure of where the money went. "Catholic schools in Australia", one senior Catholic schools official observed, "have achieved a uniquely advantageous combination of government funding and relative autonomy". (Croke 2007, 612)

Moreover, almost everyone had a legitimate basis for complaints first heard a century before. One side could insist that it was open to all and catered to most disadvantaged students and their families; it should take priority over schools that exclude. The counter: it was not fair that those who chose a religion-based education should have to pay, contributing in the process funds that would otherwise have to come from the public purse and, moreover, the lower the public support the fewer with access to choice.

For all these reasons, conflict over funding returned within two or three years of Karmel and settled in to dominate, distort and ideologise public debate over schooling and its purposes for decades to come. Perhaps perversely, the minority non-government lobby held the whip hand in these debates because the Church provided organisational infrastructure and could mobilise parents around the threat of higher fees.

More important than these disturbances in the corridors of power, however, were consequences down on the ground.

It is often claimed that Australia has a robust schools market, and counter-claimed that it is over-regulated. It would be more accurate to say that features of both can be found in an unhappy and often conflicting relationship. With three sectors funded and administered in different ways came different levels of funding and regulation of rights and obligations. Australia has both free *and* publicly subsidised fee-charging schools; schools lavishly funded *and* schools relatively impoverished; schools permitted to select on grounds of capacity to pay and/or religious affiliation and/or academic performance *and* schools prohibited from doing any of those things; parents who are required to pay when often they can't afford it *and* parents who aren't and can; and parents who are offered the full menu *and* others who must take whatever is put on their plate. These distinctions in rights and obligations between sectors were accompanied by changes within the government school systems. Efforts in the 1960s and 1970s to weld technical and high schools into comprehensives, in the name of 'equality of opportunity', faltered and in a climate favouring 'choice' and 'diversity' were wound back, leaving *de jure* and *de facto* selective government schools and programs. All this has in turn been reflected in and compounded by the workings of the real estate market.

Unfairness – parents who can afford to pay don't, and parents who can't but do, parents who can choose between several options and parents who have no choice at all – is only a part of the problem. Those in a position to choose have typically chosen schools where their children will find others just like themselves. In so doing, they make a choice for those who can't choose, for reasons of income, location and/or because their child doesn't have what the choosy schools are looking for. Thus the non-choosers, like the choosers, increasingly find themselves among their own kind. When Australia opted for more diversity between schools it got less diversity within them. Australia now has an unusually high concentration of students at both ends of the spectrum, and a relatively small proportion of schools with socially mixed enrolments. At the extremes, some selective government schools have a more socially-skewed enrolment than some high-fee Independent schools, and there are extraordinary concentrations of ethnic groups in both selective and high-fee schools. One part of a massive sifting and sorting lies in a transformation of the Catholic sector. Schools established to help the poor and the excluded have off-loaded much of that

task to the government schools in favour of catering to those already in the mainstream. One quarter of students in Catholic schools are not Catholic, and half of all Catholic students – the poorer half – are enrolled in government schools. (Pell, 2007, 843)

There is evidence to suggest that this segmentation, amounting in some respects and areas to segregation may have a depressing effect on the academic attainment of many and perhaps most students. Less noticed but more worrying is that segmentation makes for a narrow social experience and hence a sub-optimal social education and experience of schooling, and encourages the formation of relationships within groups rather than between them and so militates against cohesion in a multicultural and democratic society.

The second of Australia's two substantial re-organisations of schooling delivered something very different from its announced objectives: a clumsy and inefficient way of organising, funding and governing schooling; a combination of 'systems' that makes significant reform of the parts and/or the whole extremely difficult; a funding mix unfair to many families; unintended and undesirable educational and social effects; public debate and policy formation focussed narrowly on funding levels and, more recently, on academic outcomes to the exclusion of many things that schools are, do, and are expected to do; and ideologised division of opinion closely linked to entrenched interests. These unhappy conclusions suggest that a third re-organisation is needed, and that it should aim above all at putting sectors and schools on a more common basis of funding and regulation, rights and obligations.

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**A revised and expanded version of an article first published by* Inside Story *(28 July 2016) under the title 'The Educational Consequences of the Peace'*

Appendix B The extent of social segmentation

Within Australia, the evidence of the extent of social segregation is compelling. As is evident from the discussion in Section 4, segregation can be considered in a number of different ways. This appendix provides further detail on divides in our population with respect to income and socio-educational advantage, ethnicity, indigeneity, and religion.

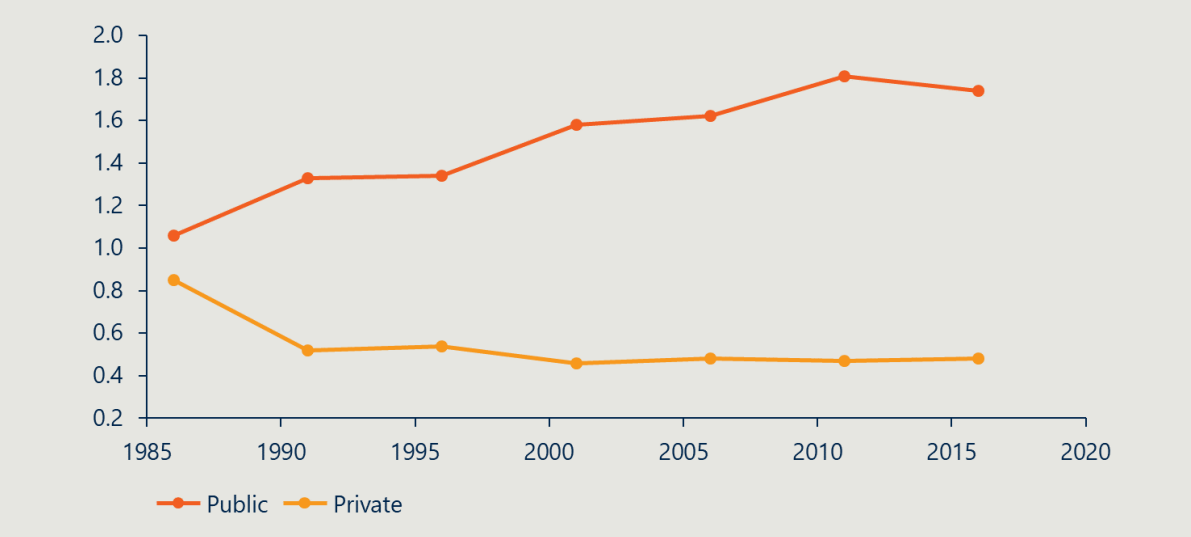
Family income and advantage

The SES profile of school enrolments can be quite different from one school sector to another, especially in the secondary years: ABS data shows that 26 per cent of government secondary school students are from high income ($8,000 or more each week) families, against 46 per cent in Catholic and 54 per cent in Independent schools.[133]

The My School index of the socio-educational advantage (SEA) of each school's enrolment doesn't include family income but it indicates a similar hierarchy to that revealed by the ABS. Independent schools enrol the most advantaged students (average ICSEA around 1,063), followed by Catholic schools (around 1,046), then government schools (around 981). The SEA gaps between the sectors is wider in the secondary years.

The gap between the public and private sectors is illustrated in the graph below – showing, for secondary school enrolments, the changing ratio of low to high family income. In family income terms private schools are increasingly serving higher income families; the reverse is happening in public schools.

Figure 25 | Ratio of low to high family income of secondary school students, public and private schools, indexed to all secondary students in each Census year, 1986 to 2016[134]



My School confirms this divergence over time. Even since 2011 the portion of lowest SEA quarter (Q1) students in government schools has grown while the portion in the highest SEA quarter (Q4) has decreased. The reverse trend is particularly evident in Catholic schools. The socio-educational advantage gap between the government and fee-charging sectors has continued to increase over just six recent years. Such divergence is also apparent in schools when grouped in other ways. As Table 3 illustrates, schools outside the major cities are increasing their proportion of Q1 students and reducing their Q4 portion.

[133] Barbara Preston, 2018, *The social make-up of schools*, Barbara Preston Research.
[134] *Ibid.*

What this means is that the family income/advantage diversity within schools has decreased while such differences have grown between schools. Regardless of how social class differences are defined in Australia, the measures indicate that these are increasingly played out between schools. It is schooling, not school that is the common experience.[135]

Table 3 | My School indicators of school diversity (2011 and 2017)

School group	ICSEA	Lowest ICSEA quarter		Highest ICSEA quarter (%)		Indigenous students (%)		LBOTE students (%)	
	2017	2011	2017	2011	2017	2011	2017	2011	2017
All schools	1,002	26.1	29.8	22.6	21.0	8.3	9.2	17.5	20.8
Major cities	1,042	21.3	21.6	28.3	29.4	3.2	3.6	27.2	31.0
Inner regional	983	31.9	34.8	15.2	13.7	6.0	8.1	3.9	5.7
Outer regional	951	35.5	40.7	12.1	10.0	11.7	14.6	5.4	7.1
Remote and V remote	860	38.2	49.6	10.8	9.3	42.5	44.4	24.8	30.8
High SEA >1100 (1245 schools in 2017)	1,139	5.1	2.8	54.4	61.0	0.8	0.7	23.5	28.3
Medium SEA 900-1100 (6653 schools)	1,000	29.4	29.7	16.0	15.9	4.6	5.9	15.5	18.3
Low SEA <900 (808 schools)	806	53.5	72.2	6.0	1.9	45.5	39.5	24.7	27.8
Government schools	981	31.9	35.6	19.0	16.7	9.2	11.0	17.1	20.2
Catholic schools	1,046	19.5	16.7	24.4	28.6	4.6	4.6	19.1	21.0
Independent schools	1,063	13.6	14.7	35.5	36.7	6.8	5.8	18.3	24.0
Primary	1,005	26.3	29.3	22.3	21.0	8.0	6.9	16.5	19.3
Sec/Comb	994	25.9	30.9	23.3	21.1	11.4	11.9	19.9	24.2

Ethnicity

There is a rich cultural/ethnic mix of school-age children and young people in Australia but they are unevenly spread around schools, in part reflecting a choice – or lack of it – made by families about where they will live. But the ethnic composition of school enrolments suggests much more is at play.

In contrast to some other countries, for example the United States, there is little school-by-school information about enrolment composition by ethnicity. Language background other than English (LBOTE) data is available but it doesn't directly reveal the very diverse origins and SES of LBOTE enrolments.

However, a closer examination reveals a substantial separation of enrolments by LBOTE. Some of this is well known, including the domination of selective schools by socio-educationally advantaged LBOTE

[135] McGaw B (2006), *Achieving Quality and Equity Education,* Presentation to Melbourne Education Research Institute, accessed January 2019 at: http://w3.unisa.edu.au/hawkecentre/events/2006events/BarryMcGaw_presentation_Aug06.pdf.

students[136]. This is in contrast with the Anglo-Australian domination of similarly located or similar SES fee-charging schools. Media reports frequently refer to a backlash from Anglo-Australian families who no longer wish to send their children to schools where they may be in an ethnic minority.

The implications are substantial. Avoidance of cultural or religious difference ultimately "represents a withdrawal from intercultural interaction, into monocultural isolation with only carefully controlled interactions with 'Others'"[137].

Indigeneity

Table 3 shows that Indigenous students form 11 per cent of students in government schools, 4.6 per cent in Catholic and 5.8 per cent in Independent schools. 68 per cent of Indigenous students in government schools come from low income families and 11 per cent come from high income families. In contrast, 25 per cent of Indigenous students in both Catholic and Independent schools come from high income families (Preston 2018).

Numbers of Indigenous students have risen since 2011 in all sectors. The *proportion* in government schools has also risen, but it remains largely unchanged in Catholic and is slightly falling in Independent schools.

The proportion of Indigenous students is far greater in lower SES schools generally, especially in regional Australia. Enrolments in higher SES schools are more likely to come from Indigenous families who are more able to move into higher SES school catchments, pay school fees or be awarded bursaries (Bonnor 2018).[138]

Religion

The ABS provides limited data about the distribution of students by religion, but what is available provides some evidence of a religious divide in school enrolments, albeit in the context of other layers created by SES. The distribution of students illustrates the attraction of church schools for families committed to the relevant faith.

- Catholic students form 27 per cent of all enrolled students but form 69 per cent of all students enrolled in Catholic schools. The remainder are in government schools (16 per cent) or Independent schools (14 per cent). Significantly, 52 per cent of Catholic students from lower income families attend government schools.
- The enrolment of Islamic students seems to indicate a similar preference, for those able to choose, to be in a school of their own faith. They form just 4 per cent of all students, but 8 per cent of all students in Independent primary schools and 6 per cent in Independent secondary schools. The biggest growth in the Independent sector is that of Islamic schools where enrolment has grown by 50 per cent since 2011. The available ABS data (Preston 2018) suggests that their enrolment favours students from higher income families.
- While data is not available, a scan of the enrolment processes for Christian schools strongly suggests that most of their students are committed in some measure to Christian faiths.

[136] Ho C (2016), *Hothoused and hyper-racialised: the ethnic imbalance in our selective schools*, The Guardian, accessed January 2019 at: https://www.theguardian.com/commentisfree/2016/oct/27/hothoused-and-hyper-racialised-the-ethnic-imbalance-in-our-selective-schools.

[137] Jakubowicz, A (2009) *Cultural Diversity, Cosmopolitan Citizenship and Education: Issues, Options and Implications for Australia: A discussion paper*, Australian Education Union, Sydney.

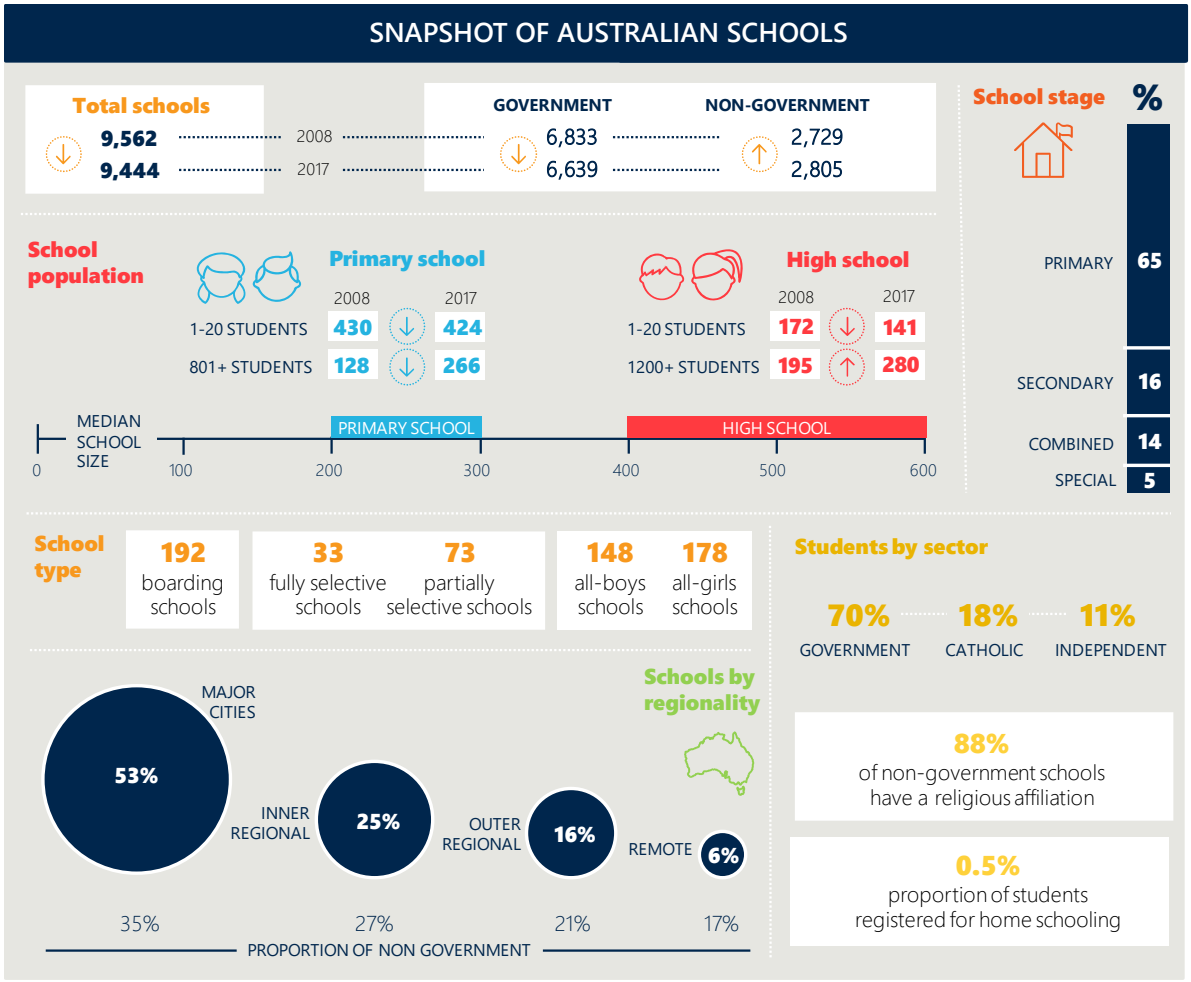
[138] Bonnor C (2018), *A creeping Indigenous separation: In a Class of Their Own,* Centre for Policy Development, Sydney.

Appendix C Snapshot of Australian schools

There is wide a diversity of schools in the Australian school system

There are around 9000 schools in Australia of different types and sizes — urban, regional and remote, small and large, faith-based and secular — with different specialisations (e.g. by cohort or curriculum) and services (e.g. boarding facilities and extra-curricular offerings). The figure below illustrates this diversity.

Figure 26: Snapshot of types and sizes of Australian schools[139]

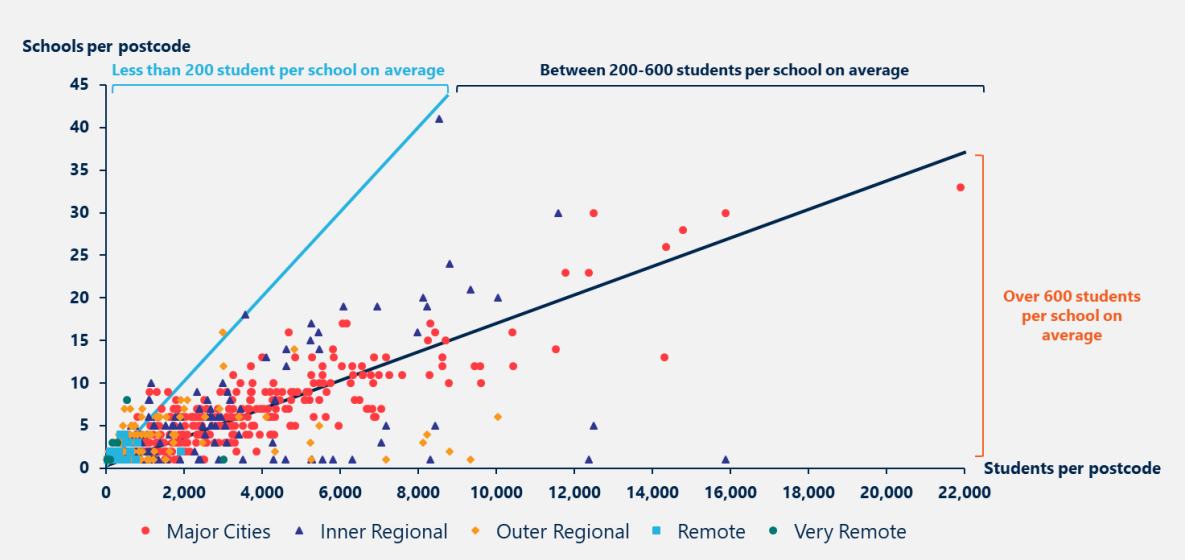


There is a disproportionately larger number of schools in urban areas

In terms of the spread of schools across different geographies, urban areas are more likely to have more schools, both in absolute terms and relative to the number of students in the area. This is despite the fact that urban schools are likely to be larger (above 600 students per school). Figure 27 also illustrates that the majority of smaller schools (200 students or less) are located in remote and very remote regions.

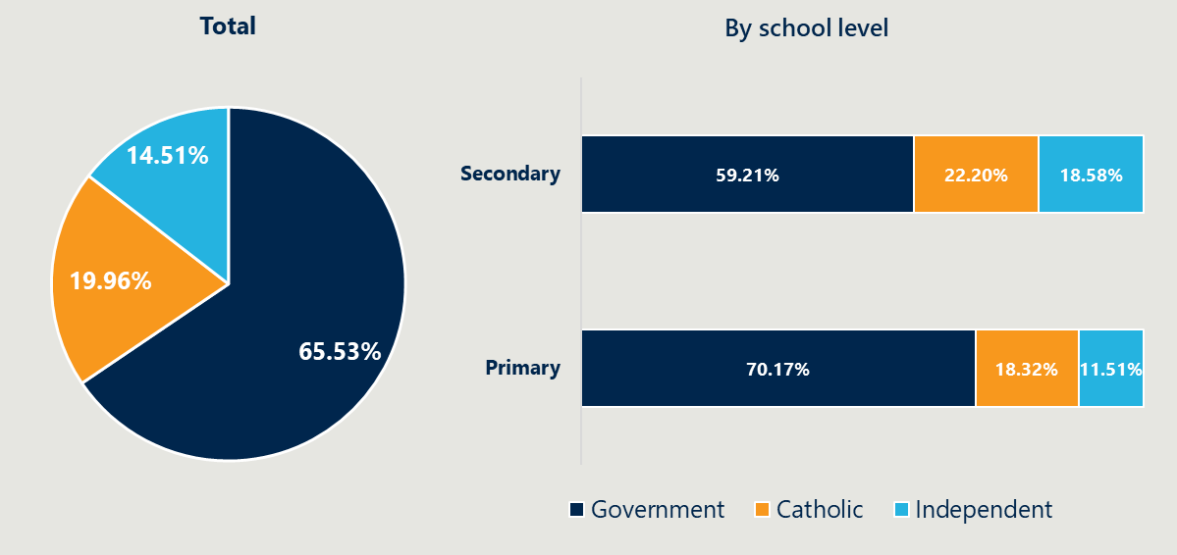
[139] Australian Bureau of Statistics (2018), Schools, Australia, 2017, 'Table 80a Summary Tables, 2008-2017', data cube: Excel spreadsheet, cat. no. 4221.0, viewed 30 January 2019.<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02017?OpenDocument#Data>. ACARA, My Schools data.

Figure 27 | Relationship between students per postcode and schools per postcode (Australia wide)



The current landscape is typically described in terms of the three school sectors. For reasons outlined in Section 1, the prevailing taxonomy of Australian schooling — and one that this paper seeks to challenge — breaks the system into the three branches of public, Catholic and Independent before then exploring differences within those three sectors. The distribution of students across these three sectors (as at 2017) in Australia's schooling system is illustrated in Figure 28.

Figure 28: Australian school enrolment share (%) by sector and school level, 2017



Close to three-quarters of non-government schools are in major cities[140], and they represent over one-third of all schooling options (double the proportion in remote and very remote areas).[141]

[140] Note the ABS definition of major cities are those with a population of more than 100,000 residents.
[141] Australian Bureau of Statistics (2018), Schools, Australia, 2017, 'Table 46a Students (FTE) by ASGS Remoteness Indicator, 2017', data cube: Excel spreadsheet, cat. no. 4221.0, viewed 30 January 2019. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02017?OpenDocument#Data>.

Alignment between religious affiliation and school sector is weakening

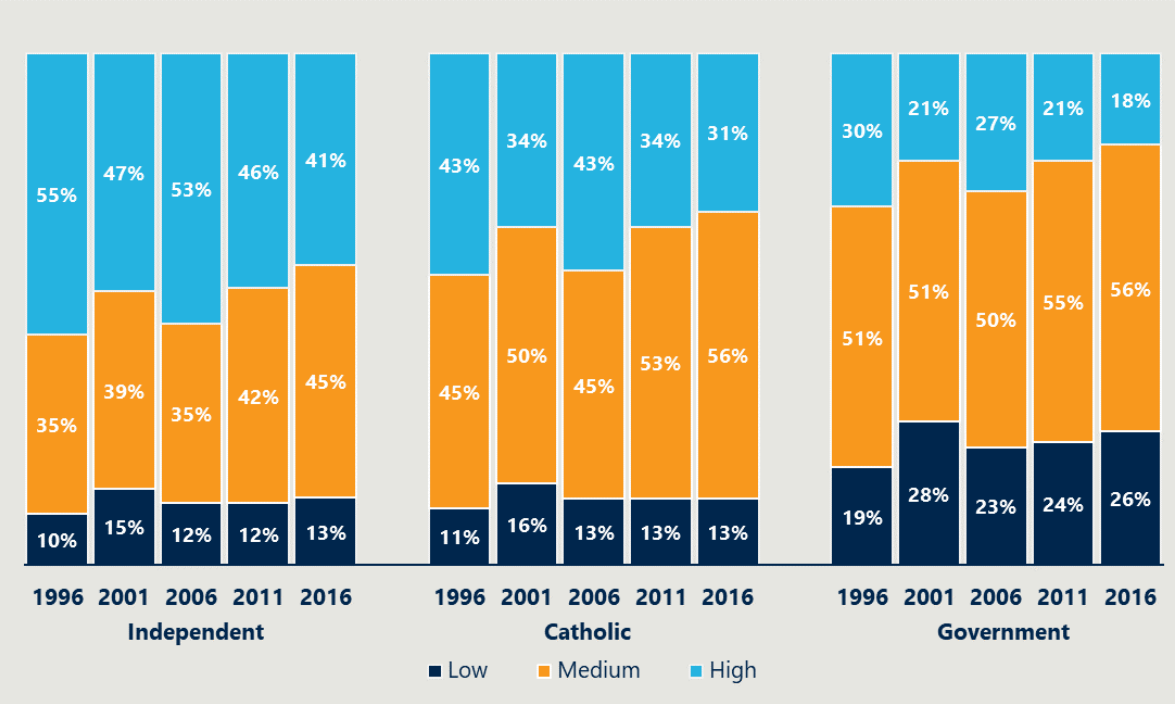
Some 54% of Independent schools are aligned with Christian churches.[142] However, according to analysis of 2016 Census data by the Independent Schools Council of Australia, 37% of all school students in Australia identified as having 'no religion', which represented an increase from 30% in 2011. This reflects a trend across the Australian population away from indicating a religious affiliation. That same trend is evident in both Catholic and government schools as well.

There is a stronger alignment between income levels and school sector

Meanwhile, enrolment at non-government schools features more students from families with a high socio-economic status (SES) and/or high level of socio-educational advantage (SEA[143]). See Figure 29 below. The differences between the sectors are particularly noticeable in the secondary years; ABS census data shows that 26% of government school students are from high income ($8000 or more each week) families, compared with 46% in Catholic and 54% in Independent schools.[144]

The concentration of students from low income backgrounds in government schools has been occurring since the 1970s with the proportion of students from low-income households increasing from 33% in 1976 to 43% in 2016.[145] These trends, and the causal factors that underpin them, are analysed in detail in section 3.

Figure 29: Household income[146] by school sector, last five Censuses 1996-2016



[142] Australian Curriculum, Assessment and Reporting Authority (ACARA) (2018). MySchools database.
[143] The My School website uses Socio-Educational Advantage (SEA) while the ABS uses socioeconomic status (SES) as a measure of advantage. There are differences – for example, SEA doesn't include family income – but there is also sufficiently close alignment between the two measures.
[144] Preston B (2018), The social make-up of schools: A report prepared for the Australian Education Union, Barbara Preston Research, Canberra. <http://www.aeufederal.org.au/application/files/7115/2090/2405/Preston2018.pdf>. p. 10-11
[145] Preston B (2018), The social make-up of schools: A report prepared for the Australian Education Union, Barbara Preston Research, Canberra. <http://www.aeufederal.org.au/application/files/7115/2090/2405/Preston2018.pdf>.
[146] For 2016 Census, low income was below $52,000, medium income between $52,000-$155,999 and high income above $156,000.

There are schools that bear stronger similarities to schools in other sectors than in their own

Notwithstanding this broad correlation between sector and family income, the diversity of the Australian school system is such that the demographics of some schools in one sector would have more in common with other schools in other sectors and vice versa. Most notably, the emergence of selective public schools has seen more competition for higher-calibre students. This is particularly the case in NSW, which has 47 selective schools (23 fully selective and 24 partially selective).[147]

Similarly, a low-fee Independent Seventh Day Adventist school may have more in common with a nearby Catholic school than a high-fee elite school.

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