Yes, education funding has increased - but not everyone benefits

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Spending on schools overall has increased – this is what the data tells us. Since the release of the Productivity Commission draft report, there has been an insistent claim that spending on education in Australia has increased in real terms.

The claim is that, despite spending more, our achievement has declined. There are several reasons why this is a misleading and overly simplistic claim.

There are important qualifications to this claim that are ignored within political and mainstream media rhetoric.

Education funding refers to spending on education services – and this includes the full range of education services, including primary, secondary and post-tertiary. It also includes salaries for teachers, principals and bureaucrats.

Indeed, this has increased. In fact, education funding has increased in all OECD countries. Between 1995 to 2011, expenditure per student increased by an average of more than 60% in every OECD country. For the majority of OECD countries, even following the economic crisis of 2008, education expenditure as a proportion of GDP has increased.

Australia is not the highest spender on education. As a percentage of GDP, Australia spends less, in contrast to other OECD countries such as the US, but more than the OECD average.

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This funding figure also includes private sources, such as philanthropy, parental contributions and fundraising, which boost the overall average.

Private sources constitute a higher percentage of per school funding in Australia, in comparison to the OECD average. This effectively means that parents are allocating more of their personal income for schooling in addition to their tax.

Yes, school funding has increased, but it has not increased for all students and all schools. To understand why these claims are misleading, it is necessary to explain how school funding works, in plain language.

Keep in mind there are 18 individual school funding models in Australia, which overlap with one another.

School funding, as a Deloitte Economics Access report says, “is poorly co-ordinated and haphazard”.

How schools receive their funding

There are three different types of grants for schools, referred to as recurrent, capital and targeted funding. The different grants come from various sources.

When politicians or the Productivity Commission report on school funding, these reports tend to exclusively report the net recurrent funding per student, and exclude levels of capital funding for the school. Capital funding refers to money allocated to schools for new capital works (such as gymnasiums or swimming pools).

The 2014 Productivity Commission report, for example, indicates a funding ratio of 2:1 in favour of government schools. However, this figure does not include capital grants for schools.

Schools that educate a large proportion of high socioeconomic status (SES) students tend to receive less recurrent funding from the government. However, these schools also tend to receive more in the form of capital funding.

For example Glenroy Secondary College (a government high school in the outer suburbs of Melbourne), received an average of A$15,468 of total net recurrent income per student (from 2009 to 2013). Compare this to Melbourne Girls’ College (a government high school in the inner suburbs of Melbourne), which received an average of $10,623 of total net recurrent income per student (from 2009-2013). This is a lower net recurrent income per student.

However, if you also compare the total capital expenditure, Glenroy received $199,121 from 2009-2013. Melbourne Girls’ College received $5,618,981. (This analysis is taken from Rowe’s forthcoming book being published by Routledge.)

There are exceptions, of course, and the My School website warns us against making “direct funding comparisons”.

But if we use the only funding data that is available to the public, then the My School figures points to serious funding gaps between schools. Reported funding levels tend to conceal the inflated capital funding that certain schools receive.

Current funding model favours particular schools

We are still utilising the SES funding model that the Howard government introduced in 2001.

Despite years and years of confusion and independent reviews of the funding model, we continue to use it.

The Gonski report argued that the system lacks transparency and is exceedingly opaque. The current government has not implemented the Gonski recommendations.

The Deloitte Access Economics report writes that the current funding model is “poorly designed”.

Rather than create a clearer and more transparent system of funding, the claim that is being marketed to the public is that “funding has increased”. This denies the fact that equitable funding has not increased.

The schools that thrive or benefit from this model are those with a clear starting advantage – a wealthy customer base with the ability to bring in a higher level of private funding.

We are not only referring to elite independent schools here. There are schools within the Catholic and government sector that are able to attract very high levels of private funding. However, overall these are the minority.

The higher level of private funding enables the school to improve its resources and also increase its customer base.

Schools receive “cash for customers”. This exacerbates a serious funding gap between schools. The SES funding model favours schools that thrive within competitive environments.

Therefore, it is necessary to speak back to these claims around school funding.

It is not sufficient to simply claim that “school spending has increased”. We need to ask: where has it been increased and for whom? What does this funding actually include? And, finally, where is the transparency?

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