



CENTRE
FOR POLICY
DEVELOPMENT

report

UNEVEN PLAYING FIELD

THE STATE OF AUSTRALIA'S SCHOOLS



BY CHRIS BONNOR & BERNIE SHEPHERD

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CONTENTS

AUTHORS	4
ACKNOWLEDGEMENTS	4
ABOUT CPD	5
ABBREVIATIONS	6
EXECUTIVE SUMMARY	7
REPORT RECOMMENDATIONS	11
INTRODUCTION.....	12
SECTION 1: THE SCHOOLS PAST	14
HOW OUR CURRENT FRAMEWORK OF SCHOOLS EVOLVED.....	15
THE REVIEW OF FUNDING FOR SCHOOLING (THE GONSKI REVIEW)	17
THE GONSKI REVIEW FINDINGS – HOW RELEVANT ARE THEY TODAY?.....	19
SECTION 2: THE SCHOOLS PRESENT	21
THE SIGNIFICANCE OF <i>MY SCHOOL</i>	21
THE EQUITY PRIORITY.....	23
ENROLMENT SHIFTS BETWEEN SCHOOLS.....	27
WHICH STUDENTS ARE MOVING?	29
IMPACTS ON STUDENT ACHIEVEMENT	31
A DEVELOPING SCHOOL HIERARCHY.....	34
IMPACTS ON THE SCHOOL AND ITS COMMUNITY	36
REDRESSING THE BALANCE: THE ROLE AND REALITIES OF FUNDING	39
Funding the need.....	39
Funding the sectors	41
The federal funding fiasco	49
Does money go to where it matters?.....	51
SECTION 3: THE SCHOOL FUTURE.....	55
WHERE ARE WE HEADING?	55
IF THE TRENDS CONTINUE	55
Inequity will rise.....	56
Enrolments will continue to shift to advantaged schools	56
Disadvantage will concentrate further.....	57
The school hierarchies will deepen	57
Schools will increasingly detach from the local community	58
Funding imbalance will widen	58
Our investment may remain poorly targeted.....	59
Student achievement will continue to diverge.....	60

The costs of failing to tackle inequity and disadvantage will mount	61
CURRENT AND LIKELY FUTURE PRIORITIES.....	63
Searching for solutions	65
SOME ELEMENTS OF A PREFERRED FUTURE.....	66
Creating authentic choice in a narrow market	67
Co-ordinating the funding of schools and revitalising Gonski.....	68
Restoring the public in our education system	69
Matching funding and obligation.....	70
CONCLUSIONS AND RECOMMENDATIONS.....	74
WHAT DO WE NEED TO DO?	74
DELIVERING A BETTER ERA OF GONSKI-DRIVEN EDUCATION.....	75
APPENDIX 1: We did it our way: managing non-government schools in the education framework.....	77
APPENDIX 2: Key Gonski findings	79
APPENDIX 3: The misuse of User Cost of Capital in funding comparisons.....	81
APPENDIX 4: How can the government funding numbers be so different?.....	82
ENDNOTES.....	85

FIGURES

Figure 1: Social gradients in PISA reading literacy by country.....	24
Figure 2: Socio-educational gradient of 2015.....	25
Figure 3: Socio-educational gradient by location, NSW schools	26
Figure 4: Average school enrolment growth, 2010-2015	28
Figure 5: Percentage of Q3/Q4 families in sample schools.....	30
Figure 6: SEA quarter distribution in Australian schools, 2015	30
Figure 7: Trends in the percentile ranking of mean NAPLAN indices for schools in each sample.....	32
Figure 8: School population by sector and ICSEA division, 2015.....	35
Figure 9: Australian schools and their localities	37
Figure 10: Government-sourced income per student, sample schools 2009-2014	39
Figure 11: Average net recurrent income per student for schools in the sample groups	40
Figure 12: Net recurrent income per student by sector, 2009-2014.....	42
Figure 13: All government recurrent income per student, by sector, 2009-2014	43
Figure 14: Government-sourced recurrent funding for similar ICSEA schools.....	44
Figure 15: Government recurrent funding of Catholic schools by school ICSEA group	45
Figure 16: Government recurrent funding of Independent schools by school ICSEA group.....	45
Figure 17: Government recurrent funding by sector -actual and projected	46
Figure 18: School recurrent funding by sector, dollars per student, 2009-2014	49
Figure 19: State/Territory recurrent funding, 2009-2014.....	50
Figure 20: Comparison of government funding, net recurrent income and NAPLAN averages	52

Figure 21: Funding per student in excess of minimum cost providers.....	53
Figure 22 (A): Where the student numbers fall by sector ICSEA range.....	83
Figure 23 (A): Where the government funding dollars are spent by sector and school ICSEA range	83
Figure 24 (A): Government funding per student across the school ICSEA range	84

BOXES

Box 1: Markets in education.....	16
Box 2: What <i>My School</i> data offers	22
Box 3: Why is it so hard for disadvantaged schools to improve?.....	33
Box 4: Australians choose...not to choose	38
Box 5: But why should it matter?	47
Box 6: The private advantage that isn't	65
Box 7: The integration option.....	71

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Charl Cater via Flickr supplied the cover image *And so exam season begins*. The image was obtained under the Creative Commons license.

ABOUT CPD

The Centre for Policy Development (CPD) is an independent, values-driven and evidence-based policy institute. Our motivation is an Australia that embraces the long term now. We approach the future with purpose, rigour and ambition, committed to shared prosperity and sustainable wellbeing. CPD's policy development is geared towards an Australia that is equitable, aspirational and truly prosperous – and enlivened by the challenge of shaping a better future at home and abroad. We fuse domestic and international insights, combining fresh expertise to build a progressive Australian agenda.

CPD's core model is three-fold: we create viable ideas from rigorous, cross-disciplinary research at home and abroad. We connect experts and stakeholders to develop these ideas into practical policy proposals. We then work to convince government, business and civil society of the merits of implementing these proposals. CPD has offices in Sydney and Melbourne and a network of experts across Australia and abroad. We are a not for profit: donations to our Research Fund are tax deductible. Sign up at www.cpd.org.au.

ABBREVIATIONS

ACARA	Australian Curriculum, Assessment and Reporting Authority
ATAR	Australian Tertiary Admissions Rank
EFT	Effective Full Time
ERI	Education Resources Index
FOI	Freedom of Information
FTE	Full Time Equivalent
GIS	Geographic Information System
ICSEA	Index of Community Socio-Educational Advantage
IEO	Index of Education and Occupation
IRSAD	Index of Relative Socio-Economic Advantage and Disadvantage
LGA	Local Government Area
NAPLAN	National Assessment Program - Literacy and Numeracy
NRIPS	Net Recurrent Income Per Student
PISA	Programme for International Student Assessment
SEA	Socio-Educational Advantage
SEG	Socio-Educational Gradient
SEIFA	Socio-Economic Index for Areas
SES	Socio-Economic Status
SRS	Schooling Resource Standard
UCC	User Cost of Capital

EXECUTIVE SUMMARY

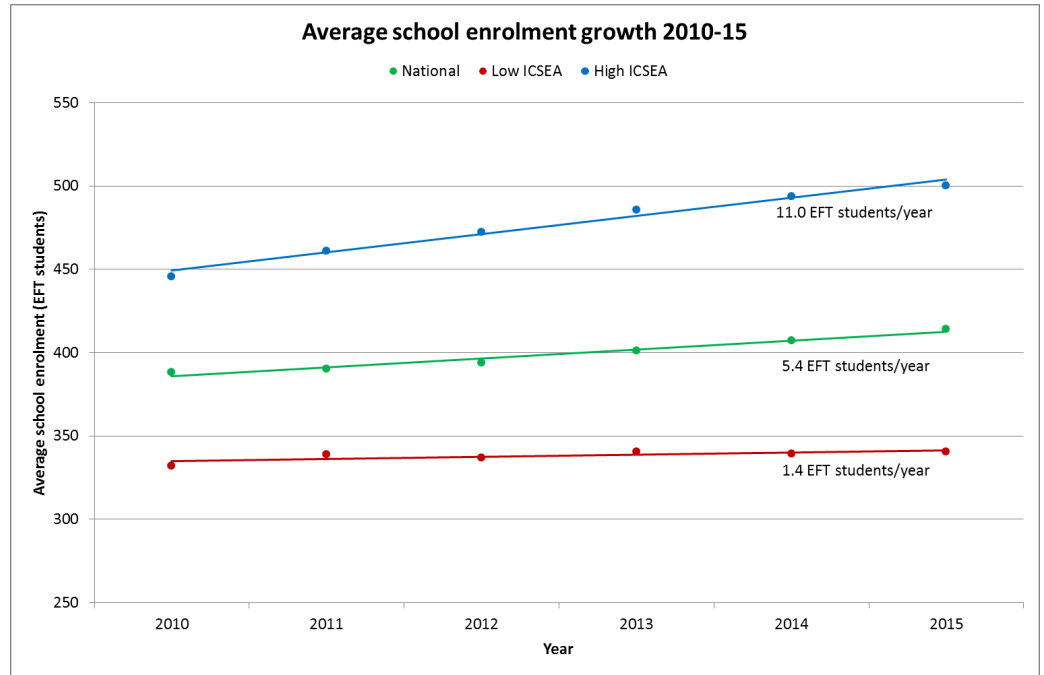
The starting point for this report is one question – what does the *My School* website data tell us about the current state of Australian schools?

Since the colonial period, the Australian schools system has been on a slow, evolutionary track – broadening, deepening and opening up high quality schooling to all children regardless of their background. But two key events occurred in the later 20th century that laid the foundations of what we have today. Firstly, in the 1970s, government funding was extended substantially to non-government schools, and from the 1980s, the principles of market-based competition and consumer choice were introduced to the schools system in general. The present system is aptly described as ‘quasi-market’ as we have a mixture of government and non-government schools, each receiving a portion of federal and state funding, but each operating under different conditions and serving different populations – while assuming quite different obligations to the Australian community.

Our ability to provide a rigorous, evidence-based diagnosis of the state of Australian schools was powerfully enhanced with the introduction of the *My School* website in 2010. Never before have we had such a wealth of data with which to examine our primary and secondary education system. Using data from 2009 to 2015, we have been able to identify a series of concerning trends that lead us to conclude that the present state of the education system is unsustainable and beset with structural problems. By maintaining a quasi-market in our schools, we are creating an uneven playing field that benefits a portion of the community more than it does the remainder. We are drifting away from our ambition to provide high-quality, accessible education for everyone.

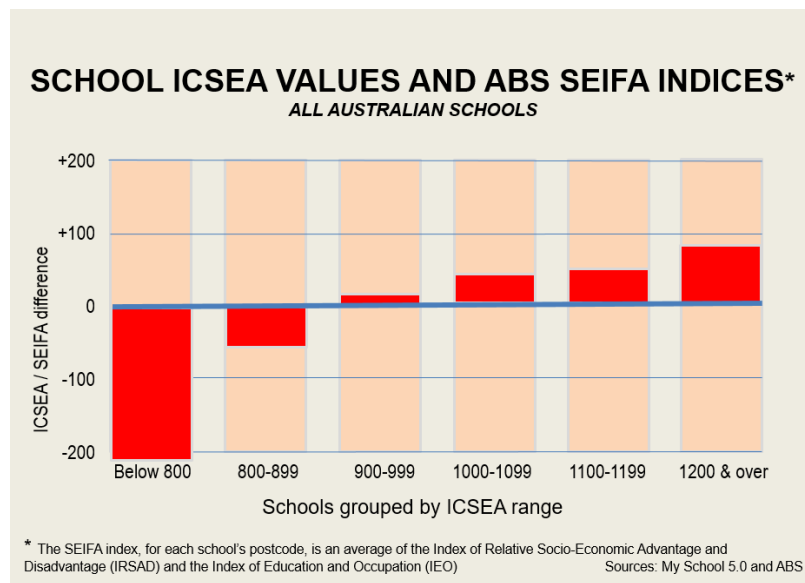
We’ve long known that a more equitable system of schools has a better chance of lifting achievement for all students. But our schools are becoming less equitable; family and personal background is having a greater impact on student achievement than is desirable. Privilege and wealth offer an initial head-start and greater opportunities through school than are available to others. From the outset, the Gonski Review of Funding For Schooling (the Gonski Review), presented in December 2011, carefully described the nature and extent of the consequences for Australia, including how we stand in comparison with similar countries.¹ Our report shows that, in the few years since Gonski reported, school equity is declining, especially in metropolitan areas and amongst our secondary schools. A child’s background is having a greater impact on their ability to succeed at school.

Implementing all the Gonski recommendations would have helped to offset the impact of privilege and social status. However in this less equitable system, a hierarchy of advantage and disadvantage has developed amongst schools and is hardening. Increasing numbers of students are shifting to schools that are higher up on the socio-educational advantage (SEA) scale (e.g. 1.4 Effective Full Time (EFT) students per year (Low ICSEA) vs. 11.0 EFT students per year (High ICSEA) (see graph below).



This is not as simple as a 'drift to private schools'; the reality is that parents are seeking out schools with higher achieving students in both the government and non-government system. These schools often have barriers to admission such as entrance exams, or commercial fees. As higher achieving students shift to these schools, the pool of students in schools lower down on the socio-educational scale lose much needed diversity and talent in their population. As a result, disadvantage is increasingly *concentrated*. This triggers a cycle where perceptions of schools as lower performing and more disadvantaged mean more and more parents seek to avoid them. This also has wider impacts: the graph below shows that the less advantaged schools enrol students who are even *less advantaged* than might be the case if the schools just enrolled students from the schools' postcodes.

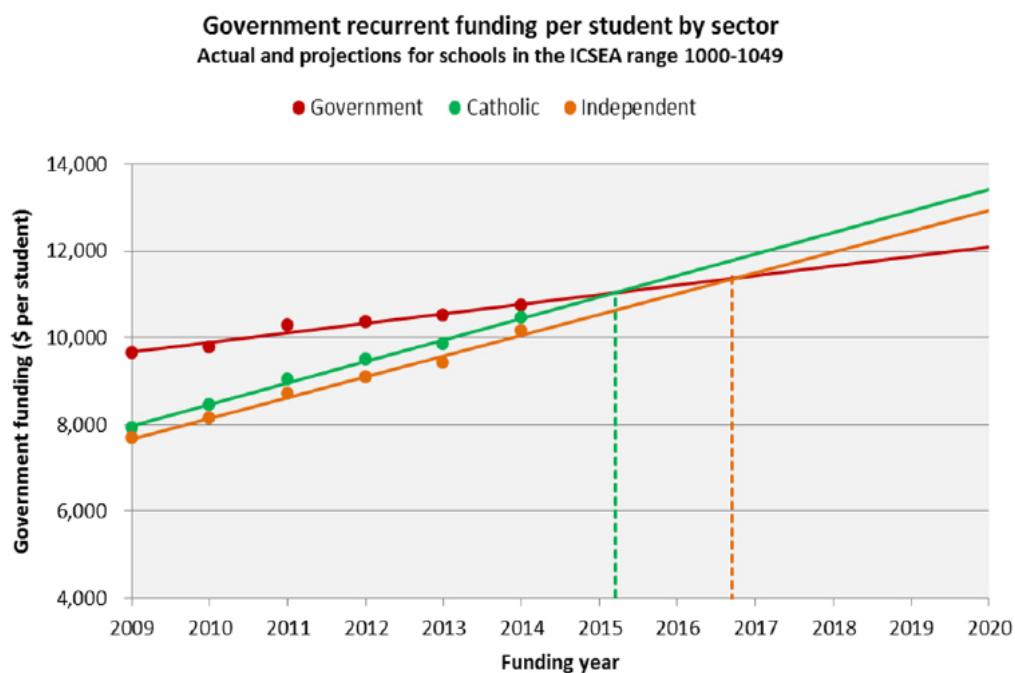
Australian schools and their localities



Schools at either end of the SEA range are demographically detached from the communities within which they reside. The centrality of 'the local school' is disappearing. Students increasingly travel to different suburbs and towns to attend a particular school, carefully selected by parents aspiring to provide the best education possible. For two-thirds of Australian schools, the local community is not their community in the way it may have been in the past. Our schools are more than learning centres, they are social hubs that can, at their best, improve cohesion in the local, surrounding neighbourhoods, bringing staff together with children and parents alike in a context of shared experiences, endeavours and community. Yet as school enrolments shift, we start to lose this flow-on benefit that local schools offer.

It is an inescapable fact that our funding arrangements exacerbate these deficiencies. Governments of all political persuasions have been at pains to ensure that any new school funding arrangements created 'no losers' in the government/non-government school mixture. This has simply perpetuated the schools hierarchy and an uneven playing field, ensuring a continuation of the framework of losers and winners created over decades of misapplied competition theory and skewed funding policies.

For some years *total* funding of private schools has exceeded the funding of government schools with similar types of enrolment. However our data analysis reveals that most Catholic schools are presently on track to receive more *government* funding than their equivalent public schools. The data also reveals that we are in fact over-investing in many advantaged students. They receive, depending on sector and level of advantage, between \$1,300 and \$14,000 extra each year in combined funding from both parents and governments, but have similar achievement levels to lower-funded students. The Gonski Review was correct when it surmised that Australia lacks a logical, consistent and publicly transparent approach to schools funding, and was equally correct when it advocated for funding reform based on allocation of money according to student need. Our analysis confirms the imperative to move to needs-based funding for the long-term. Meanwhile, as the graph below shows, we are seeing a convergence of public funding for all three school sectors, with public funding for non-government schools projected to outstrip that for similar government schools in the next few years based on recent trends.



It is untenable that the system limp on in its current design because most signs point to a worsening of current problems – unless action is taken. Schools reform must in particular address the increasing inequity in our schools experienced by principals, teachers, students, and parents. The best plan for major reform remains the recommendations expertly and eloquently outlined by the Gonski Review. Overall, policymakers must make hard decisions aimed at delivering a more targeted, prudent and coordinated approach for needs-based investment. If increasing the overall levels of funding levels remains politically difficult, policymakers must embrace even harder decisions about reapportioning funding within the school education sector.

Previous eras of Australian education policy each receded as they became more obvious that inadequacies needed to be addressed and a new schools framework developed. The unsustainable nature of the ‘schools present’ and the need for an overhaul for a better ‘schools future’ suggests that we are well overdue for a new era in Australian education. However without the revitalisation of the ‘Gonski consensus’, including a renewed bipartisanship built around the Gonski plan, we will just muddle along – at an increasing cost to students, schools, communities and Australia’s international standing.

One cannot begrudge parents seeking the best school for their children, but education at its best is blind to favourable personal circumstances. It is one of the great social levellers and mobilisers that offers all children a transformative path to a life of their choosing. A highly educated population is a rampart in a democratic society, and a powerful driver in an innovative, productive and entrepreneurial economy. Education breaks the shackles of disadvantage and empowers those who live without privilege.

Our mission on education reform is clear, but presently our path forward is not.

REPORT RECOMMENDATIONS

1. **Revitalise Gonski:** Policymakers need to revisit the Gonski Review findings and establish the mechanisms recommended by the Review. This includes committing to the introduction of a National Schools Resourcing Body to drive the implementation of a Schools Resourcing Standard. This is the best way to deliver agreed educational outcomes.
2. **Level the playing field for students and schools:** This recommendation is in two parts:
 - In the first instance, federal and state governments should commit to the full funding of *all* the Gonski recommendations as a high priority, with the objective of improving the equity and overall effectiveness of the funding mix across all schools; or
 - If additional government funding is not forthcoming, governments should rebalance the present schools funding mix with additional investment in schools with greatest need regardless of sector. This rebalancing should include
 - a review of those schools where funding levels are much greater than in schools enrolling similar students; and
 - with appropriate notice, a hold on the growth of public funding to non-government schools, pending a review of how this funding is distributed and what responsibilities and obligations on the part of all schools should accompany public funding.
3. **Restore the local school:** We must maximise the opportunities for all children to enrol in their most accessible school. Australians clearly prefer to have quality local public schools. Leaving local schools is, and should be, their least preferred option. As much as possible this means locally catering for children from all backgrounds, with all learning styles, with disabilities, special gifts, talents and interests. The effort made by schools to do this, and in the process to engage children in learning authentically, should be annually reported on *My School*.
4. **Reduce the impact of disadvantage on student outcomes:** We need to address the clear relationship between aggregated social disadvantage and poor educational outcomes, partly created by the separation of students with socio-educational advantage. Incentives available to certain schools to aggregate advantage must be reduced progressively and the capacity of low SEA schools to offer education to all families in a community must be increased. These proposals should support school-focused strategies already being delivered in states and territories that strive to meet these ends.

INTRODUCTION

We, the authors of this report, are two retired principals who between us have almost 80 years of experience and involvement in schools. We witnessed directly the change in our schools framework over recent decades and could see how this was impacting on students, schools, and Australian communities.

From 2009 we began to verify our experiences in greater depth due to the availability of *My School* website data. This wealth of annual data is now the best evidence on offer regarding our schools, and for several years we have investigated what it shows. For this report we collate and analyse *My School* data available from 2009 to 2015 to examine Australian schools diagnostically, offering a health check on the entire education system. The use of *My School* in relation to individual schools by itself is not without fault – but its huge scan of all schools enables a rigorous assessment of the entire system.

We look at the history of the system, its present dysfunction, solutions that have been offered to date as well as a suite of recommendations for improving the system and levelling the playing field. Our combined worst fears have been confirmed by the available evidence. In a nutshell, Australia has created and continues to create an uneven playing field for our children and for our schools. We find that our framework of schools is in poor shape. Our diagnosis reaffirms what the Gonski Review posited so clearly. But that was almost five years ago and the system has staggered on, partly because those who should care either don't believe the diagnosis or won't find funding for the solutions.

Specifically, we find that the equity of Australia's schools has deteriorated in recent years. Our school system is straying into a hierarchy of advantage and disadvantage. The students who are able to move to schools perceived to be better are doing so in increasing numbers, which is compounding the struggle of those students left behind at other schools. As this hierarchy forms it is without any across-the-board benefits for overall student achievement. Against all advice, as a country we are spending more on the schools with advantaged students. Yet these advantaged students are not performing much better, and the performance of the other students is deteriorating.

The accumulating data increasingly points to the fact that the original diagnosis, the Gonski Review, overwhelmingly got it right. It is becoming clearer that our framework of schools is simply not sustainable in its current form. We see a need for revitalisation of commitment to both the findings and the recommendations of the Gonski Review, rather than the pursuit of a series of ad-hoc, partisan measures.

The last 30 years has seen considerable emotion invested in debates about schools. As public educators we have been willing participants in this debate, but at times it has generated far more heat than light. The objective of this report is to invite a step back from much of this and throw light on what is known, as well as what is claimed, about schools. What should schools deliver - and can they all succeed, given the context in

which they operate? Has our framework of schools delivered on its promises since the 1980s? Does it work for all families and communities? Is what we have sustainable, will it last? Does it create comparable opportunities for all? Does it meet the tests, not only of equity but of efficiency and efficacy?

My School has transformed what we know collectively about Australia's schools. We've always had general data, but *My School* enables us to analyse schools by location, level of schooling, sector and more. Its data is deeper, richer, more direct and always recent. It provides a new lens through which we can examine what schools are doing and, just as important, what we are doing to schools. We can ask better questions and check the answers. The website has changed what we know about schools and has impacted on the debates about them.

The information which can be gathered from *My School* data covers a wide field: money in and results out, equity, student movement, composition of school enrolments, student achievement, the real differences between schools and much more. We are into the seventh iteration of the website, meaning that we can not only examine static data, but look at the longer-term trends and chance some predictions for the future.

Australia's schools framework has evolved through different eras, each receding once it became inadequate to meet changing expectations of politicians and policymakers. The nineteenth century church schools, which existed just for some people in some places, could not meet the demands of a growing democracy. The public schools which followed were seen to fall short of meeting changing aspirations. Our current era, characterised by a hybrid arrangement of public and private schools, has failed to deliver the claimed benefits of a competitive marketplace.

The irony is inescapable: *My School* remains symbolic of attempts to drive quality through competition and choice – yet its data shows that competition and choice may have provided benefits for some, but at considerable cost to others.

Based on the more persistent trends identified in this report, the future is not looking good for ensuring both equity and achievement in our schools. But while we can make some projections based on current trends no one knows the ways in which our whole framework of schools will change. But change it must as more policymakers, politicians and parents come to understand that doing nothing isn't an option. The way we provide, resource and regulate schools, the relationship between them, the legal frameworks that underpin them, the role of governments, and the raft of obligations and accountabilities that apply to the different players will all eventually be on an agenda. Our hope is that out of all this uncertainty will emerge a more equitable, fairer and higher performing system with benefits delivered to all students regardless of their background.

SECTION 1: THE SCHOOLS PAST

Each generation of Australians has a certain view of their schools, created by their own school-age years. For most, our memories are of a nearby kindergarten and primary school. Students then go through high school, in some cases locally and in others more distant. Education has long been compulsory and in a majority of schools, mostly free and secular.

It wasn't always like that. Australia has been through at least four eras in the evolution of school education. Across these eras the school system gradually expanded, providing greater access to increasing numbers of students, underpinned by the principle that a free, public education for everyone was fundamental to a democratic society.

The first era is the colonial period lasting well into the nineteenth century. The early schools were mostly run by church-affiliated groups, usually supported by some funding from colonial governments. In this era, for all but the wealthy, education meant little more than basic literacy. The second era started in the 1870s onwards when each of the Australian colonies passed 'free, compulsory and secular' Education Acts making primary education for all a state responsibility. While it was contested at the time, the church schools were cut loose from any state restrictions but also from any state aid.

The idea of state-funded public education that began to emerge in this second era reflected an acceptance that the benefits of schooling spread well beyond the gains for individuals. To an extent, public education was driven and accompanied by ideas about citizenship in a democracy and the notion of the common good. However it was around the middle of the 20th century – and the start of a third era – that the principle of a full and comprehensive education for everyone took hold. Then the post-Second World War boom saw a rapid rise in enrolments. Our schools were increasingly successful in ensuring that comparable opportunities were available to the vast majority of students.

The same years also saw increasing enrolments in Catholic schools – with corresponding and eventually successful demands for state funding. Hence, at the very height of free, compulsory and secular education, governments set in place the precedents and structures for funding privately-run, fee-charging schools. From the 1970s this funding from both state and federal governments was extended to all private schools.

The fourth era is the current period dating from around the 1980s. The end of the post-war boom was accompanied, in many countries, by a growing influence of marketplace ideology on public provision of services, including schools. At its core was the notion that choice and competition would drive improvements in school quality. Differentiation and choice of schools was widened, not only in the private sector but also to an extent in the public system.

The way schools evolved in this time was determined by what governments did – but also by what they failed to do. The decisions which were made were not accompanied by any consideration of what might happen if fee-charging, yet subsidised, schools expanded to compete with the inclusive government schools.

Public schools alone had the obligation to be available to every child, from every family in every location. This laid the groundwork for problems which similar countries tended to avoid, as explained in Appendix 1.

Taking a long view of our changing schools is instructive. Each new era developed as the arrangement of schooling in the previous one was seen to be inadequate or unsustainable. In the mid-to-late 19th century the idea of schools just for some children was incompatible with the developing democracy. Then after 1945, only the expansion of comprehensive education for all could provide the opportunities demanded by a growing and diversifying population. From the 1980s the pursuit of a market economy demanded a variety of competing schools to deliver the promise of choice and quality.

We seem to have reached another point where our current framework of schooling, the way in which our schools are provided, resourced and regulated, is showing serious signs of dysfunction. Australia's school marketplace is failing to deliver improved student outcomes and is starting to reverse previous achievements in equity and opportunity. The present dominance of market principles in fact erodes the democratic principles which drove the evolution of the school system over time. It is creating, as markets have always done, winners and losers - but this time among students, schools and communities. This report offers new evidence that what we now have is unsustainable and will need to change.

HOW OUR CURRENT FRAMEWORK OF SCHOOLS EVOLVED

It is important to understand more about our current quasi-market framework; how it came about, its philosophical underpinnings and the way it works – or doesn't.

Public education was established and expanded in the belief that it was the state's responsibility to provide free, compulsory and secular education for all.² Private schools were seen as an alternative for those who could afford the fees. The expansion of public funding to private schools from the 1960s set in train almost a decade of fierce state aid debates. The Whitlam Government tried to restrict funding to the poorest private schools on the basis of need, but under pressure from a conservative Senate, funding was extended to all non-government schools.

Funding for private schools was also indexed to state and territory spending on public schools – something which the Gonski Review later rejected. This 'percentage link' meant that a portion of the cost of improving public schools was always accompanied by additional funding to private schools. The latter became additionally advantaged when public schools' costs rose as a consequence of diseconomies arising from their obligation to provide for all comers.³

In this way the rationale for funding also shifted almost imperceptibly from being based on equity and need to a rationale based on consumer entitlement. Parents became viewed more as taxpayers needing choice in the schools on offer to their children. This

scenario saw schools not as a universal and free provision, but as deliverers of a consumer product in a marketplace.

As a consequence, the debate about funding private schools became not about if, but how, and how much. As for those without the wherewithal to choose, there emerged a strong element in public discourse and policy-making that viewed public schools as a safety-net provision for those who couldn't afford to send their children to private schools.⁴ Uninhibited by concerns about equity, funding for private schools has continued to increase, notwithstanding limited measures to moderate it by taking into account the private resources of those schools.

The next barrier to the school marketplace to be cast aside was the 'New Schools Policy' introduced by the Hawke Government in the 1980s. This attempted to plan the provision of schooling by ensuring that new schools could only be established where there was a clear demographic need. If it had continued, this would have sustained the viability of existing schools, both public and private, and the efficiency of the public investment in all schools. But it challenged the emerging belief that the role of government was to subsidise unfettered parental choice of schooling⁵ – hence it was abolished by the Howard Government.

The Howard Government also abandoned the idea of taking existing school resources into account when funding private schools. Schools were instead ranked by an indirect measure of the socio-economic status (SES) of each school's enrolment. But even this mechanism was adjusted to ensure that no school would actually lose any funding. This 'no loser' principle, despite its inconsistency with funding schools on the basis of need, was also forced on the Gonski Review by the Rudd and Gillard Governments.

An irony is that the fixation by successive governments on 'no losers' in funding allocations has in fact created losers by embedding inequalities and differences in the system. 'No losers' is a fiction that created an uneven playing field of schools increasingly beholden to a hierarchy of advantage and disadvantage.

An irony is that the fixation by successive governments on 'no losers' in funding allocation has in fact created losers by embedding inequalities and differences in the system.

BOX 1: MARKETS IN EDUCATION

It seems odd that governments of all persuasions have persisted with our quasi-market framework of schools, in the absence of evidence that it delivers quality for all. Ours is a quasi-market of schools because it promotes conditions which resemble a market, but with varying degrees of regulation – in our case erratic and skewed – by governments.

Considerable research has been conducted into the effects of policies aimed at increasing parental choice and school competition. One study by the OECD, *Markets in Education*⁶, focused on the responses of the different actors involved in education markets. It tells us much about the behaviour of schools (the supply side of the choice mechanism) and parents (the demand side) – but it isn't a story about improving school quality. **(cont.)**

The OECD study points to problems in creating a marketplace of schools. In education both demand and supply are inelastic. Parents' demand does not respond strongly to underperforming schools if the schools are high-up in the hierarchy (see below). Hence an important correction mechanism does not work in education markets as it does in other markets. On the supply side a certain amount of overcapacity is needed so that customers can change easily from one supplier to another, but providing excess capacity in schools is expensive and often hard to justify.

The study shows that the notion of a local hierarchy of schools helps explain behaviour on both the demand and the supply side of the market. Each school's position in this hierarchy is partly based on school composition, that is, on characteristics of the student population. Schools with able students from advantaged backgrounds rank highest in the local hierarchy, irrespective of objective measures of education quality. The position of a school in the local hierarchy impacts on the choice behaviour of parents (the demand side), as groups of parents try to gain access as high up as possible in that local hierarchy. Local hierarchies also play a role on the supply side of the education market, as schools try to maintain or improve their position. Since school composition is an element in positioning, actions of schools can be understood as either overtly or covertly attracting the most desirable students.

None of this means that parents are willing and happy players in the game of school choice. A recent poll conducted by Essential Media (see page 38) suggests parents prefer a quality local school. But such findings help explain trends in Australia's schools in student achievement, our growing school hierarchy, enrolment shifts and worsening equity. These trends are examined in detail in Section 2.

THE REVIEW OF FUNDING FOR SCHOOLING (THE GONSKI REVIEW)

The changes to our framework of schools introduced by the Howard Government carried all the seeds of its increasing dysfunction. Concerns about the shortcomings of the current school system reached such a high level in public discussion that some form of review became inevitable.

The Gonski Review was set up by the Rudd Government in 2010 and its findings and recommendations were released early in 2012. The very existence of this review – combined with the research it commissioned⁷, the 6000 submissions received and the expectations it generated – was bound to mark it as a potential watershed moment.

The Gonski Review pointed to two significant weaknesses in the Australian school framework: the decline in the performance of Australian students and Australian schools and the significant gap between the highest and lowest performing students. It noted an unacceptable link between low levels of achievement and educational disadvantage, particularly among students from low socio-economic and Indigenous backgrounds. Many of the problems and solutions could be found in the way schools were funded.

It did not take the Gonski Review panel long to recognise that the funding model was largely responsible for the gross inequities in Australia's education system. As a result, the Gonski Review brought equity back to centre stage of considerations about funding.⁸ The panel adopted a principle protecting the democratic underpinnings of our school system, namely that:

'... new funding arrangements for schooling should aim to ensure that ... differences in educational outcomes are not the result of differences in wealth, income, power or possessions ...'⁹

This was the Gonski Review's definition of equity, one that was consistent with the position of the OECD.¹⁰ Equity in this sense, they reported, does not mean that all students are the same or will achieve the same outcomes. Rather, it means that all students must have access to an internationally acceptable standard of education, regardless of where they live or the school they attend.

Achieving this wasn't going to be easy. Any changes to funding arrangements had to ensure, as dictated by a nervous Labor Government, that no school could lose funding. In effect this meant that any improvement in equity could only be achieved by additional funding that could be distributed on a needs basis. The bulk of these additional amounts were to be rolled out in the final two years of a six year timeframe.

Gonski Review's needs-based approach to funding hinged on the recommendation that a Schooling Resource Standard (SRS) be established as the basis for funding schools and that the funding be administered by a National Schools Resource Body (refer also to Section 4 for further information). This would set a minimum level of funding for every primary and secondary student, based on the resourcing level of consistently successful schools. Funding loadings would be added for students who fell into a number of needs categories, including low socio-economic backgrounds. The proposal had the distinct advantage of being sector-blind in its operation.

The need for new funding to create the required equity meant that expenditure on education over the six years to 2019 was to increase by \$7.3 billion in real terms over 2013 levels, with a 69% increase for public schools, and 42% increase to non-government schools.¹¹ In the absence of any redistribution of existing funding the Gonski price tag was much higher than it might otherwise have been.

The Gonski findings and recommendations were well received by the media and by the three education sectors, including the public sector schools teacher union. As Alan Reid notes:

'... for a time it seemed that the old-style, public/private debate had been consigned to history, and that Australia had found a way to reconcile the demands associated with funding different systems of education inside a cumbersome federal arrangement'.¹²

Over time some peak groups for the non-government school sector began to argue against a range of the Gonski Review's findings and recommendations¹³, and in the 2014

New funding arrangements for schooling should aim to ensure that...differences in educational outcomes are not the result of differences in wealth, income, power or possessions.

Federal Budget the bipartisan commitment to Gonski broke down with the requisite funding for 2017 and 2018 withdrawn. The Turnbull Government confirmed in December 2015 that this funding would not be reinstated.

THE GONSKI REVIEW FINDINGS – HOW RELEVANT ARE THEY TODAY?

There was considerable debate about how best to implement the recommendations of the Gonski Review. Far less attention was paid to the stock-take of the problems which had emerged over three decades. The findings strongly pointed to mounting problems building in Australia's schools over many years. The Review addressed a range of emerging issues, including the following:

- the way resources are allocated;
- setting and meeting targets;
- defining and measuring student outcomes;
- the lack of logic, consistency, rationale and transparency in school funding;
- imbalances in funding between levels of government;
- the quality of school infrastructure and facilities - and the targeting of improvements;
- planning to meet changing educational needs, including in new school provision;
- access of all students to a high standard of education;
- links between schools and early childhood development;
- the impact of multiple disadvantage on student performance;
- the increasing concentration of disadvantaged students in certain schools;
- provision for students with a disability;
- the lack of robust and nationally comparable data on funding for the disadvantaged;
- the responsibility of all schools to support students who are unable to remain in a school; and
- the need to build capacity for schools to partner with community and business.

The Gonski Review will be seen in the future as a benchmark against which our future decisions and directions will be judged. Indeed, it was worried about the very trends this report finds have worsened.

In the next section we show what data from the *My School* website tells us about the extent of any progress made – and in the process throw considerable light on the accuracy of Gonski's findings and the extent to which they still remain relevant in 2016. Such data can't be used in this way across all of the 26 findings, but certainly helps us pass judgement on the ten key ones listed in Appendix 2.

In almost all cases we find that Gonski Review got it right. In the absence of full implementation of their recommendations the findings are even more relevant today. Our current framework of schools is less sustainable than ever.

SECTION 2: THE SCHOOLS PRESENT

'Improving educational outcomes for all young Australians is central to the nation's social and economic prosperity and will position young people to live fulfilling, productive and responsible lives. Young Australians are therefore placed at the centre of the Melbourne Declaration on Educational Goals.

These goals are:

Goal 1: Australian schooling promotes equity and excellence

Goal 2: All young Australians become successful learners, confident and creative individuals, active and informed citizens'

(*Melbourne Declaration on Educational Goals for Young Australians*, December 2008)¹⁴

Our schools are meant to be the manifestation of our egalitarian culture and the cradle of our 'fair-go' mindset. Schooling is meant to be one of the great levelers that enables a person to thrive regardless of their background or geography. An Australian child's capacity to attain a high quality primary and secondary education is meant to be one of the transformative social mobilisers in our democratic society. Yet if the Melbourne Declaration represents some of our best aspirations for the Australian schools system, we are currently falling incredibly short of the mark. Whatever we wanted Australian schooling to deliver, we have a long way to go.

Every school era has generated expressions of concern about schools and spawned endless debates and even substantial reviews, including the Gonski Review. The current era is different to its predecessors because of the availability of longitudinal data via the *My School* website. We now have more information about schools than we have ever had in the past and are far better placed to diagnose the present system and offer a rich, evidenced-based appraisal.

THE SIGNIFICANCE OF *MY SCHOOL*

The importance of the introduction of *My School* cannot be understated. Its mountain of data allows annual monitoring of what the Gonski Review discovered and recommended.

The *My School* website was launched early in 2010, two years before the Gonski Review delivered its report, but it took a year before the data behind the website could really be trusted. Indeed, research and reporting which relied on 'like-for-like school' comparisons in the first version of *My School* remains quite flawed¹⁵ and over two years the website rapidly improved. As outlined in the Introduction, it now carries information about more

than 9,500 schools, including enrolment, staffing and attendance, as well as the percentage of Indigenous students and students with a language background other than English. It presents the results of national testing in a variety of ways, and since 2011, details of each school's finances¹⁶. Student achievement is indicated by each school's NAPLAN scores. Criticisms of NAPLAN are quite well-founded: schools serve many purposes and NAPLAN is just one measure. However it certainly enables analysis of student achievement over time and by location, sector and level of advantage.

BOX 2: WHAT MY SCHOOL DATA OFFERS¹⁷

We have reached the point where claims and counter-claims about schools can't really be trusted unless they also take into account what *My School* data shows:

- League tables mean little unless schools are compared with others enrolling similar students;
- Stories about schools or groups of schools can often be checked against what *My School* shows;
- Comparisons which just refer to national averages can be more rigorously scrutinised;
- Financial information is recent, specific and can be shown in dollars per student or school; and
- Common assertions and myths about schools can be tested and exposed.

The rationale for publishing school test results on the website derives from the dominant competition principles of the preceding three decades. *My School* was intended to break open vaults of hitherto 'secret' data and provide a level ground on which to judge a school's educational performance; publishing NAPLAN results in particular would apparently coerce schools, systems and governments to 'lift their game', thereby arresting the oft-reported decline in Australia's international rankings. There is scant evidence for any of this having happened, but *My School* has proved to be popular with parents and has become a part of the Australian education landscape. In fact, it has arguably been a significant player in shaping that landscape over the last half-decade.

One significant claim of the website is that it enables 'like with like' comparisons between schools. To this end, it includes a measure of SEA for each school. This is presented in two forms. The first is a numerical Index of Socio-Educational Advantage (ICSEA) created by things such as location, parents' education, family type and more.¹⁸ The second form in which SEA is shown is as a profile of the percentages of four SEA 'quarters' of the nation that are represented in each

school. At a time when concern about equity is rising this measure is a powerful tool to tell us about equity in Australia's school framework.

These measures, it is claimed, provide a fair basis for comparing the performance of schools. Schools with the same ICSEA are said to be 'statistically similar' on a range of non-school variables that are known to influence educational outcomes. Thus, it is reasoned, any differences in educational outcomes – positive or negative – between schools with the same ICSEA must reflect the merits or otherwise of the educational programs within the schools.

Care must be taken with use of data: individual schools cannot be compared with any great precision and conclusions about individual school quality certainly shouldn't rely on the website alone. But availability of the data has transformed what we know collectively about Australia's schools. *My School* enables us to analyse schools by location, level of schooling, sector and more. Its data is deeper, richer, more direct and always recent. It provides a new lens through which we can examine what schools are doing and, just as important, what we are doing to schools. We can ask better questions and check the answers; we can now test claims and counter claims about schools. The website has changed what we know about schools and has impacted on debates about them.

This doesn't mean that every reference to *My School* data should be accepted uncritically, including some in this publication. But it is certainly the case that, while it might take some time, anyone is able to do some background research on the schools in their local area.

What follows in this section is an analysis of what *My School* tells us about our current framework of schools, including in the context of what the Gonski Review reported. The following analysis refers to

- The extent of inequity;
- Enrolment shifts between schools and the students who are moving;
- Impacts on student achievement;
- The socio-educational hierarchy of schools;
- The relationship between the school and its community; and
- The role and relevance of school funding.

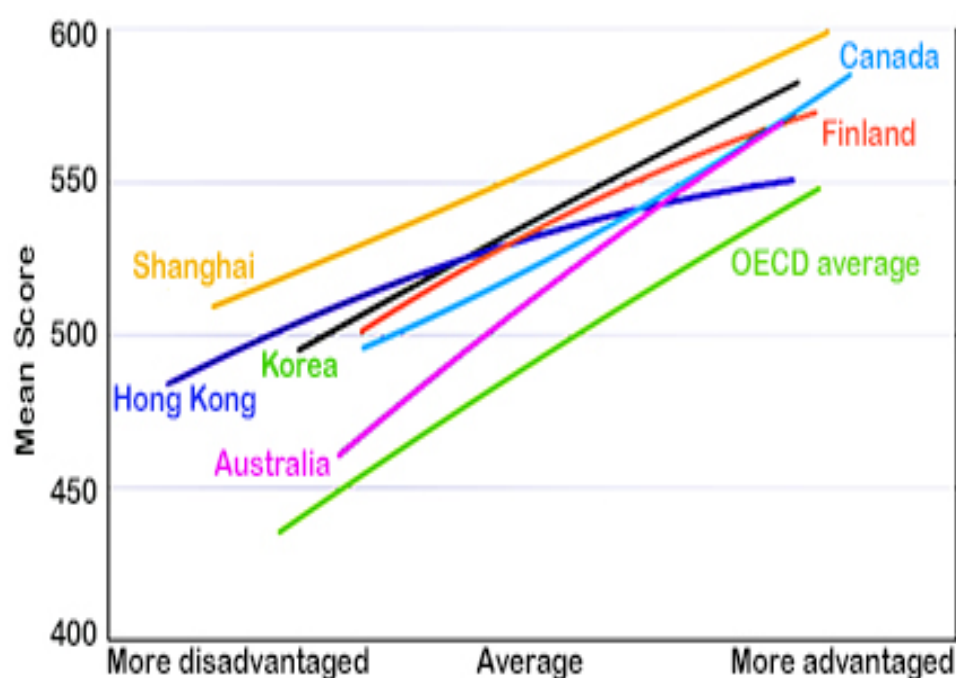
THE EQUITY PRIORITY

In 2013, Federal Education Minister Christopher Pyne stated on ABC *Lateline*, 'I don't believe there is an equity problem in Australia'.¹⁹ Evidence from the OECD and the Gonski Review points to a different conclusion. While the OECD has described Australia as a high equity country, a fact check soon concluded:

'Whilst OECD data suggests a lower correlation between student background and performance compared to the OECD average, inequalities based on student background are still pronounced. There is also a diverse and complex range of additional inequalities in the Australian education system'.²⁰

Consistent with its terms of reference the Gonski Review considered the influence of family background on educational outcomes. The extent of this influence can be illustrated by what are known as 'social gradients', which refer to sloping lines on graphs which relate educational outcomes to some social or socio-economic indicator. The steeper the slope, the greater the impact of social conditions on a student's performance.

Figure 1: Social gradients in PISA reading literacy by country, 2009²¹



For instance Figure 1 (which was included in the Gonski Report) shows that for reading literacy, Australia has a steeper social gradient compared with a number of countries against which we often measure ourselves. Our steeper slope means social conditions matter more for a student's success in Australia - we have a stronger association between the level of advantage/disadvantage and student achievement than in comparable countries. This suggests that our school system is less effective in overcoming a child's prior level of disadvantage.

We wanted to know if ICSEA and NAPLAN data on *My School* might also provide a social gradient and what it might be able to tell us. To examine this, we combined test scores in each NAPLAN domain to create a single composite index. This index combines the results of different cohorts equally and weights literacy-based domains equally with numeracy results to produce a generalised performance measure for each school. Since the ICSEA is a socio-educational measure, we can call the slope of any trend line a socio-educational

gradient (SEG) for NAPLAN performance. The steeper the slope, the more influence socio-educational factors, as distinct from what schools do, have on school outcomes.

Figure 2: Socio-educational gradient of 2015

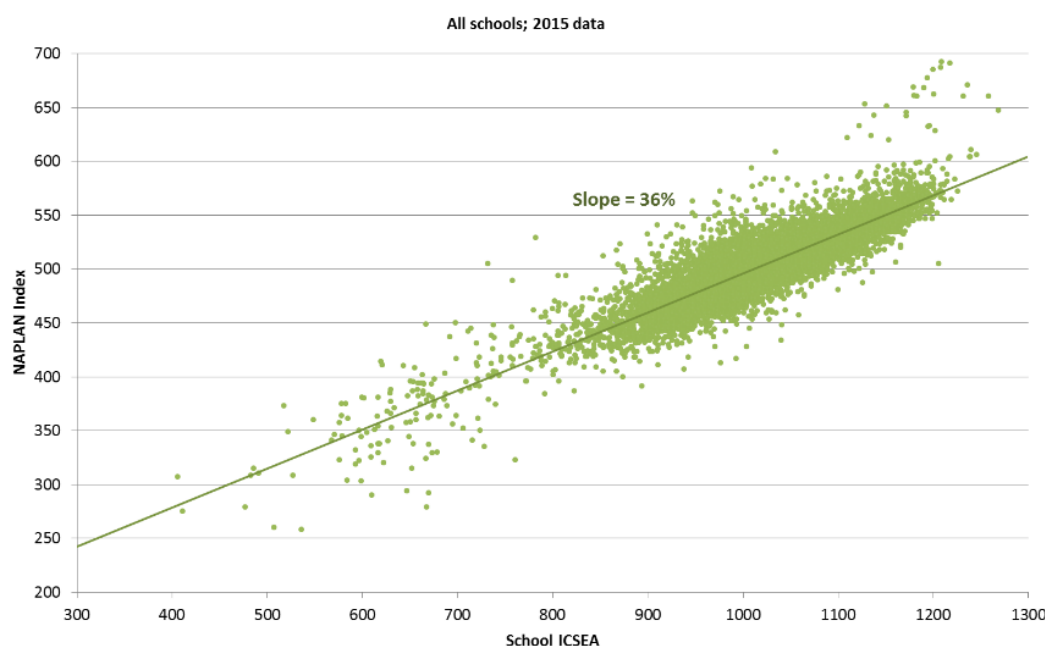
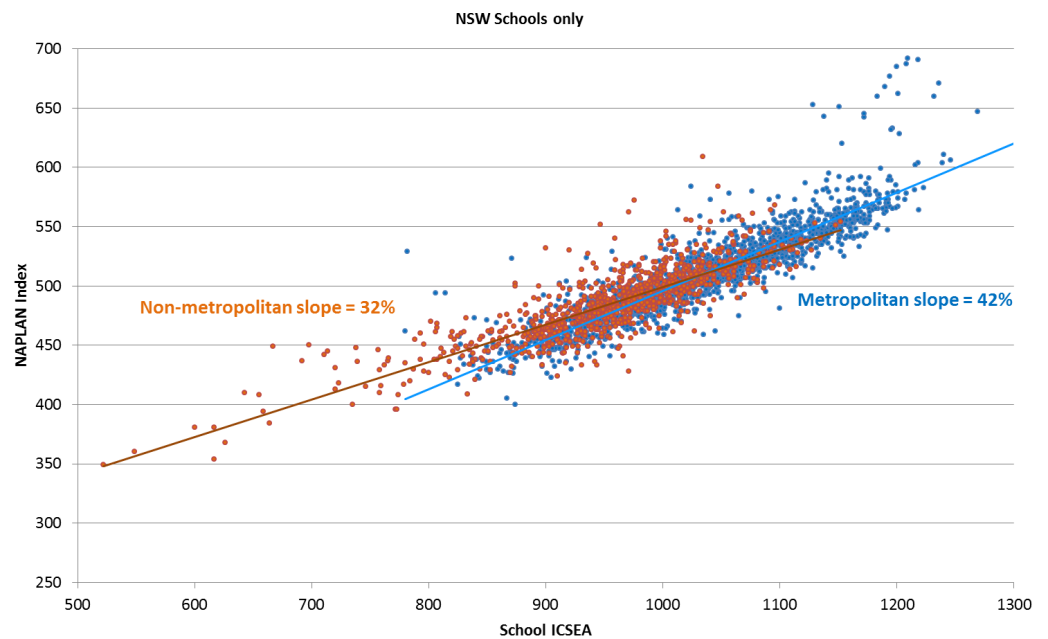


Figure 2 shows the 2015 NAPLAN data for schools around Australia plotted against the schools' ICSEA values. We can see that Australia's schools are distinctly aligned from the bottom left (low-ICSEA, low-NAPLAN) to top right (high-ICSEA, high-NAPLAN). The SEG trend line forms a slope of around 0.36. This figure is the ratio of the rise of the slope (the vertical distance) divided by the run (the horizontal distance). Gradients are often expressed as percentage, hence in this case the gradient is 36%. Slopes can also be expressed in degrees, but for consistency we'll stay with percentages.

We found some variations between the states and territories, with SEG variations from 32.6% to 38.2%. There may be many and complex explanations for the differences.

Overall, Australia has a larger equity problem in city schools than those in regional Australia, and in secondary as opposed to primary schools. In 2015, for example, the socio-educational gradient (SEG) for metropolitan schools was 38.8% and for non-metropolitan schools (in *My School* categories: provincial, remote and very remote) was 35.6%. In NSW, these differences appear particularly stark and consistent over several years. Figure 3 shows the 2015 data for NSW schools. While the SEG of NSW country schools was 32%, the SEG for city (metropolitan) schools was 42%, noticeably steeper. We are rightly concerned about educational opportunities for country students – and their generally lower levels of achievement. On the other hand, while the students in the higher ICSEA city schools appear to be doing remarkably well, those in the lower ICSEA city schools are not doing as well as their country peers in the same ICSEA range.

Figure 3: Socio-educational gradient by location, NSW schools

School-to-school equity appears to have declined measurably over that relatively short period.

There are also equity differences between primary and secondary schools. Again using NSW as an example, the SEG for metropolitan government primary schools is around 38% - but it is around 55% for metropolitan government secondary schools. One explanation might be that parents are exercising the choices available to them more often for their child's secondary schooling than in their primary years. Hence even in the government system Year 6 students disperse to a variety of secondary schools. As we demonstrate elsewhere, this ready access to choice by some families contributes to socio-educational divides among schools. It might also explain the more shallow equity slope in non-metropolitan areas where choice of schools is often more restricted.

How are socio-educational gradients changing? In just five years, the equity slope has become steeper in Australia. Figure 2 shows that the most recent average equity slope across Australia is around 36% - but it was just 32% in 2010. For reasons not immediately apparent, the socio-educational standing of each school's community seems to have had a stronger net impact on school performances in 2015 than it did in 2010. That is, school-to-school equity appears to have declined measurably over that relatively short period.

There is a degree of uncertainty in the earlier SEG figures, since ICSEA values for some schools have been calculated from different data sources at different times and the calculation methods have also changed over the period. Nevertheless the observation is sufficiently substantial to warrant deeper examination.

Schools are front and centre in our efforts to lift low achievers. Ideally the educational outcomes of schools should be created by the things that schools do, by the effort and expertise of teachers and by school leadership, all supported by the right policies about how we provide and resource schools. Some might explain the steepening equity slope by

suggesting that there has somehow been a collective decline in the quality of teaching and learning in the low-ICSEA schools. Nothing can be dismissed, but it is at least equally likely that these schools are now working against a tide of changing social conditions.

The Gonski Review believed that new funding arrangements for schooling should aim to ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions. Steeper equity gradients created from *My School* data suggest that we haven't begun to achieve this. But before drawing too many conclusions from this line of study, we should look at some other changes that have taken place over this same period.

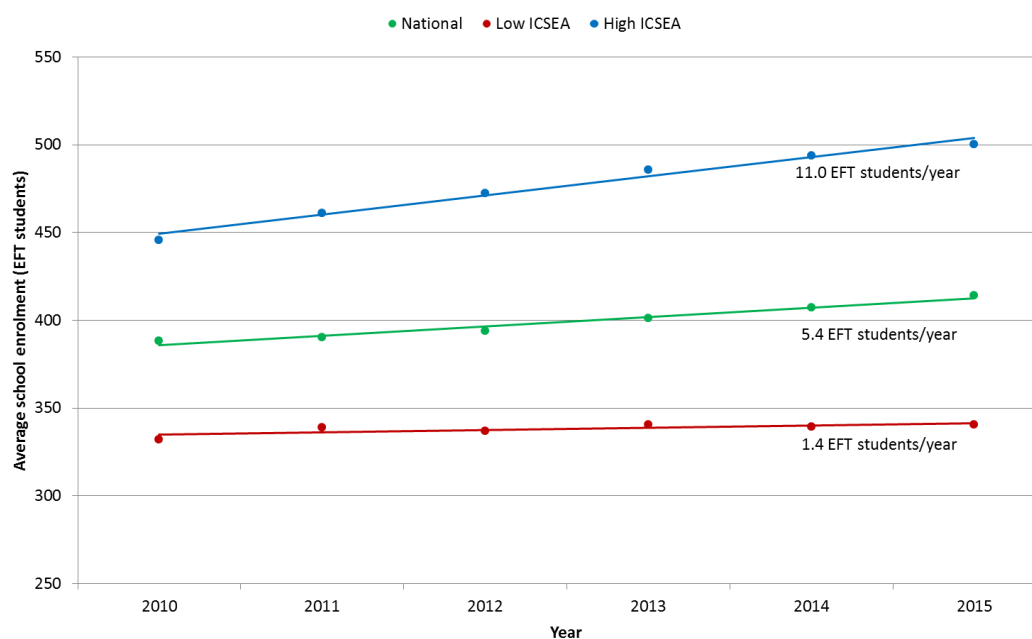
ENROLMENT SHIFTS BETWEEN SCHOOLS

What does *My School* data tell us about growing and diminishing schools? One evident change, to varying extents in most parts of Australia, is the shift of student enrolments out of some schools and into others. Reports about this often refer to 'the drift to private schools', suggesting a clear and one-directional movement. But the shift of student enrolments between schools is rather more complex and has significant implications. As we demonstrate later students often travel long distances to school and the links between families and their local schools are now far more tenuous.

To study student movement more closely, we looked at two large groups of Australian schools²² which were selected using the following criteria:

1. the schools should appear on the *My School* site in each of the years 2010 to 2016 with full data for enrolment, NAPLAN averages and ICSEA; and
2. the school's ICSEA in 2013²³ should fall in one of two ranges: lower SEA schools (with an ICSEA between 800 and 950) and higher SEA schools (between 1050 and 1100).

When the average Full Time Equivalent (FTE) student totals for each group of schools are compared over time, as indicated in Figure 4 there is a clear trend in each, including when compared with all schools.

Figure 4: Average school enrolment growth, 2010-2015

The lower-ICSEA schools (red) have increased in enrolment quite slowly, by around 1.4 EFT (effective full-time) students per school per year over the period shown. At the same time, the higher-ICSEA schools (blue) increased their enrolment at a steady rate of around 11 students per year. These figures should be seen against a general EFT increase (green line) of around 5.4 students per school per year for all schools.

The data indicates that there has been an average net shift in prospective enrolments of around 9-10 students (or ~1-2% of enrolment) per school per year from the lower-ICSEA to higher-ICSEA schools during the period 2010 – 2015.

There have been increasing reports about student movement and places where schools are growing, for example in northern Sydney. Where do the students come from? More information emerges when school growth is compared with changing numbers of the school-age population. For example in the Blacktown local government area (LGA) in north-western Sydney, school growth is lagging behind local school-age population growth, suggesting that some of those children are going to schools outside the Blacktown LGA. But in the nearby Hills, Ryde and Hornsby LGAs, school enrolments are increasing at a rate greater than local population growth. Clearly some of their enrolments are coming from elsewhere.

Further data illustrates this enrolment shift. Using Geographic Information System (GIS) technology, Esri Australia has mapped the school market share held by government, Catholic and Independent schools. The trends they reveal are also based on *My School* data and show, amongst other things, that recent enrolment shift in Australia's largest cities is:

- towards government schools in higher SES regions; and
- towards non-government schools in the lower SES regions.

Enrolment in government schools in higher SES inner and eastern Melbourne, for example, rose by 3.5% between 2008 and 2015 – while it fell by around the same percentage in non-government schools. In lower-SES south-west Sydney the pattern is the reverse.²⁴ If the findings of the research cited on page 28 are a guide it would seem that government schools are sought-after in higher-SES areas, while in lower-SES areas the local movement of students is more clearly to non-government schools. The impact that this has on the schools and the community will be explored later in this section.

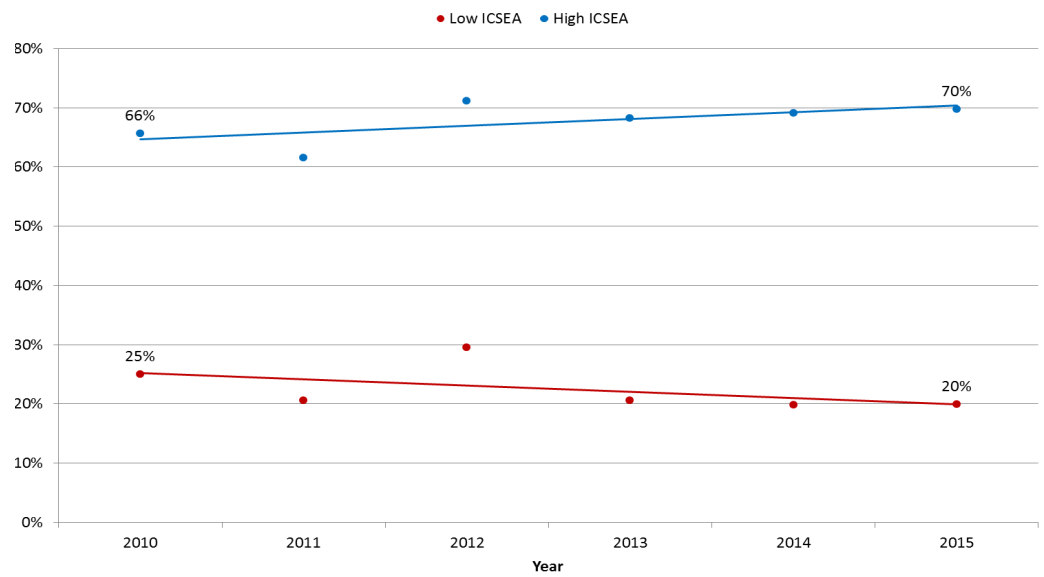
WHICH STUDENTS ARE MOVING?

One might ask if there is any discernible pattern among the students that are moving. The published *My School* data has no information about individual students, but it shows the percentages of students in the four socio-educational 'quarters', Q1 to Q4, of the nation that are represented in each school's enrolment. Q1 is the percentage of students from families in the lowest quarter of socio-educational advantage. Q4 is the percentage from the highest quarter, with Q2 and Q3 in between. These SEA quarters – and how they might be changing over time – can give us a numerical view, albeit a fairly coarse-grained one, of the spread of advantage within each school.

The distribution of students in each quarter varies from school to school and by location. In metropolitan schools for example, an average of 22% of students in 2015 were in Q1, the lowest SEA quarter, compared with the national average of 25%. In provincial schools a much higher percentage of students (37%) were in this lowest quarter. The Q1 average is even higher (46%) in remote and very remote schools. These schools certainly do have a large proportion of disadvantaged students in their enrolment. It also appears that their proportion of Q1 students has increased over the six years, while the proportion of Q1 students in metropolitan and provincial schools is now lower. When it comes to the students they serve, the gaps between the city and the bush appear to be widening.

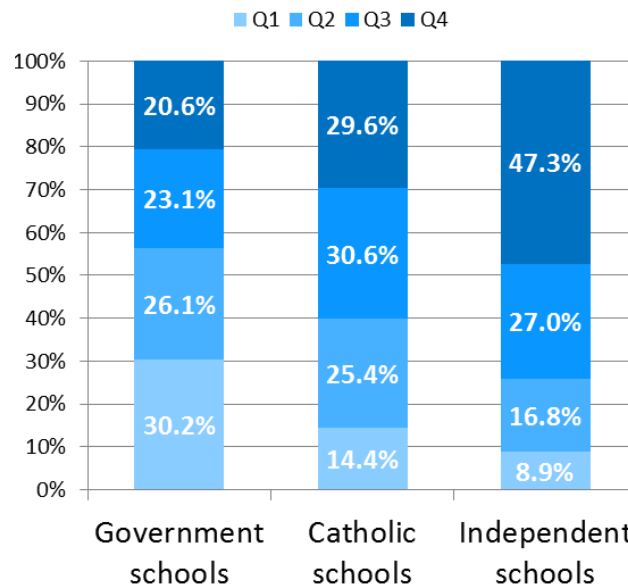
We can also calculate the SEA quarter percentages for our two groups of high and low ICSEA schools mentioned previously and ask whether there has been any change over time. In Figure 5, the Q3/Q4 categories have been combined for clarity. Notwithstanding the fluctuating data, it seems clear that the proportion of students from higher-SEA families rose in the case of the higher-ICSEA schools, from around 66% to around 70%. Over the same time, the proportion of these students in the lower-ICSEA schools declined from around 25% to around 20%. It is possible that this shifting enrolment profile might reflect other demographic changes, but given the concurrently widening enrolment gap between the two groups of schools it is likely that it is about student movement and that the movers tend to be the more advantaged students. In short, the more advantaged students are moving to the more advantaged schools, leaving the remaining schools with a higher proportion of disadvantaged students.

Figure 5: Percentage of Q3/Q4 families in sample schools



How are Q3 and Q4 students represented in the different sectors? Given the higher average ICSEA values for non-government schools it is likely that they would have a substantial proportion of these more advantaged students. This is indicated by Figure 6 which shows the distribution of students by quarter in each sector.

Figure 6: SEA quarter distributions in Australian schools, 2015



It is clearly the case that government schools go closest to the 25:25:25:25 spread of students in their enrolment, and that the enrolment of Catholic and especially Independent schools is measurably more advantaged. Has the quarter distribution, shown on Figure 6, changed between 2010 and 2015? The data tends to fluctuate from year to year and not all changes represent continuous trends. What we can say is that the representation of Q1 students in the Catholic and Independent schools has noticeably declined (from 21.8% to 14.4% for Catholic schools and from 12.7% to 8.9%

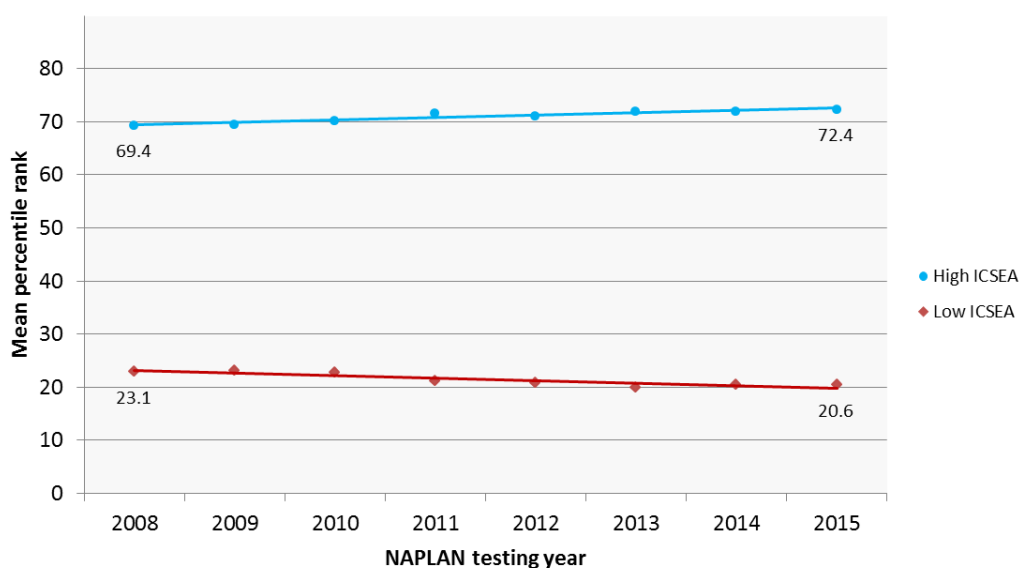
for Independent Schools), and that their representation of Q4 students has slightly increased (from 28% to 29.6% for Catholic Schools and from 46.5% to 47.3% for Independent Schools) between 2010 and 2015. There is certainly a sector dimension to the movement of students.

In summary, our higher SEA schools, the schools with an already advantaged enrolment, are increasing their proportion of the most advantaged students at the expense of the strugglers. Once again it is instructive to remember that the Gonski Review was clearly concerned about the increased concentration of disadvantaged students in certain schools and the effect this was having on student outcomes.

IMPACTS ON STUDENT ACHIEVEMENT

There is no shortage of media stories about a crisis in student achievement and the implications for our economy and Australia's international standing. Reservations have been expressed about some of the measures used to assess student achievement²⁵ but there is no doubt these measures, including Programme for International Student Assessment (PISA) on a global scale and National Assessment Program – Literacy and Numeracy (NAPLAN) in Australia, have a substantial impact on policy. We do need to know what the indicators are telling us about student achievement, even if we often define this achievement in narrow terms.

Recent research by the Grattan Institute defines the gap between high and low achievers, not by differences in scores, but by years of progress in relation to peers²⁶. We don't directly compare test scores either since some of the tests vary in their content. Instead we have tracked the changing ranking of schools on their NAPLAN performance, in particular the two groups of schools (high ICSEA and low ICSEA) we created to track shifting enrolments. Comparing schools in this way is similar to comparing the Australian Tertiary Admissions Rank (ATAR) for students. In each case, the percentile ranking of each school²⁷ within the national dataset of schools is calculated and the average rankings for each group are compared. The results of this process are illustrated in Figure 7.

Figure 7: Trends in the percentile ranking of mean NAPLAN indices for schools in each sample

Overall the higher-ICSEA schools improved performance and the lower ICSEA schools performed worse. The higher-ICSEA schools improved their position nationally between 2008 to 2015 from an average ranking of 69.4 within the national dataset to 72.4.²⁸ Over the same period, the average ranking of the lower-ICSEA schools decreased from 23.1 in 2008 to 20.6 in 2015; creating a net divergence in ranking of 5.2. Average student achievement is improving slightly in the more advantaged schools and gradually declining in the less advantaged schools. Again the differences are small, but the trend is noticeable and consistent over just six years. It is also consistent with direct comparisons of school NAPLAN scores.

How do we interpret such data? The changes illustrated could arise either from changes in the student performance or from changing student profiles in each school created by shifting enrolments – or indeed, both. The data about student movement is unambiguous: we see a consistent net annual upward shift across the 1000 ICSEA divide and we know that low-ICSEA schools have been losing a proportion of their more advantaged families while high-ICSEA schools have been gaining in that category.

When we combine the findings on student movement with the findings on changing Socio-Educational Advantage (SEA) profiles, it appears beyond dispute that the families that are moving to the more advantaged schools are, on average, the more advantaged families from the originating schools. Other research shows the likely impact on achievement levels of the students who move.²⁹

BOX 3: WHY IS IT SO HARD FOR DISADVANTAGED SCHOOLS TO IMPROVE?

We know that all students can achieve and that individual characteristics such as SEA status often explain little of the variation in individual performance scores – but school average student characteristics are very strong predictors of school average performance.³⁰ We also know that there can be more positive outcomes for students who are learning in more advantaged schools.³¹ Schools with students who are advantaged accumulate the social, cultural and even financial capital of their supportive and resourceful parents. In this sense, the educationally 'rich' are very likely to get 'richer'.

This has an indirect, negative impact inside the more disadvantaged schools. The students in these schools experience a different dynamic in their learning environment, with the cultural influences of higher-performing students no longer bringing that stimulus to their classrooms. The parent organisation might lose some of its more articulate and energetic advocates. Teacher experiences and expectations, as well as curriculum offerings and access, can change. Teachers might shift subtly from continually exploring new ground to having to consolidate skills and knowledge already traversed. The range and availability of resources might reduce. Over time these schools are hampered from improving their performance and school culture. This trend then drives the stratification of the schools system into a hierarchy of advantage and disadvantage.

There is a real element of the zero-sum argument here. The advantage gained by one section of the school population has created a recognisable disadvantage to the remainder. As a society we have made the choice to allow advantaged students to aggregate together and to gain the benefits of that aggregation. Equity demands that we don't disadvantage those who can't access those benefits. The policy response to this imperative has been to provide extra support for disadvantaged students and schools - and to sing the praises of schools that seem to make a difference. That's fine to a point, but it isn't enough, the response is patchy and still leaves too many schools struggling against a tide of residualisation.

This movement would be enough to explain the direction, if not the extent, of the decline in NAPLAN performance of the disadvantaged schools and implies a growing concentration of disadvantage which we know will create an additional layer of inhibition on the performance of the students remaining in those schools.

On the other hand, the notion that parents would wish to see their children in a more advantaged school is precisely the situation that the *My School* website seems designed to foster and facilitate. While it is by no means clear whether, or to what extent, the existence of *My School* has influenced the trend, the finding that parents with the opportunity and resources are moving their children to what they regard as better schools will hardly be a surprise. It is simply market forces at work.

The trends are so clear in school enrolment, school composition and school performance that it begs the question: what will the future hold for our social mobility and the opportunities afforded to our young people if these trends continue unabated?

We believe the implications for our current framework of schools are clear: while there are gains for some students in shifting there is no net gain in measurable student achievement in Australia's schools. It is most likely worse than 'zero sum', since our declining international standing suggests that the losses are almost certainly outweighing the gains. The Gonski Review panel was acutely aware of this. They found that Australian schooling needs to lift the performance of students at all levels of achievement, particularly the lowest performers. They identified the key dimensions of disadvantage and the impact that increased concentrations of disadvantage was having on educational outcomes. In short, they joined the dots connecting the problems. Our analysis has demonstrated that the problems are far from being solved and in fact, are likely compounding.

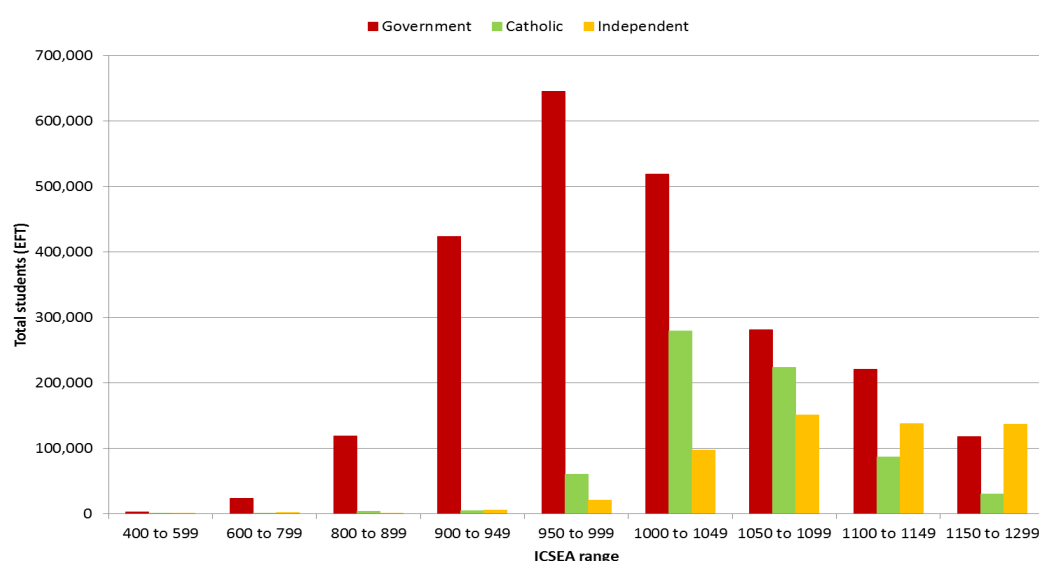
While there are gains for some students in shifting there is no net gain in measurable student achievement in Australia's schools.

A DEVELOPING SCHOOL HIERARCHY

While *My School* data is only able to track the quantitative and qualitative enrolment shift over a few years there has been ample evidence, going back decades, of a growing socio-educational division between government and non-government schools in terms of enrolment profiles. As Barbara Preston illustrated in *The social make-up of schools*:

'In 1986 both the government and nongovernment sectors had similar proportions of secondary students from low and high income families, with the government sector having only a slightly higher proportion of students from low income families relative to the proportion from high income families, and the opposite in the nongovernment sector. In contrast, a quarter century later in 2011, the differences are very marked: the government sector has almost twice the proportion of secondary students from low-income families relative to the proportion from high-income families.... The nongovernment sector has the reverse - in the Catholic and other nongovernment sectors combined the proportion of secondary students from low-income families is less than half the proportion from high-income families'.³²

The difference in 2016 is that *My School* data enables a forensic examination of which students go to which schools, not only by sector, but by level of schooling, jurisdiction and geographic area. A discernible pattern can be detected, demonstrating a hierarchy that increasingly distinguishes its schools by levels of advantage and disadvantage, with non-government and some government schools using various mechanisms such as entrance tests and fees to select a specific student cohort which also act as barriers for other families less able to traverse them.

Figure 8: School population by sector and ICSEA division, 2015

The resulting pattern is illustrated in Figure 8. It provides a useful summary of the distribution of students in the three sectors in a range of ICSEA categories. In broad terms government schools enrol students at all SEA levels, most noticeably in the 900-1049 range. Catholic and Independent schools don't enrol significant numbers of students below ICSEA 950.

Schools are located in a variety of places and for that reason alone they can be quite diverse. But one of the biggest differences between schools is found in the students who walk in the front gate each day. As we know, the ICSEA measures for each school, the socio-educational advantage of its enrolment. Schools enrolling the most advantaged students have ICSEAs around the 1100 and 1200 mark; schools with the least advantaged are mostly in the 700s and 800s. This information about schools tells us much more, not only about individual schools, but about our whole framework of schools.

Metropolitan schools tend to enrol students who are more advantaged than those attending rural schools. The average ICSEA for all metropolitan schools is around 1040. The ICSEA of provincial schools averages around 970. The figure is much lower – around 850 – in remote and very remote areas. There can be enormous gaps between schools in particular locations. The provincial average ICSEA might be 970 but in places such as Tamworth school ICSEAs range from 667 to 1065, in Bendigo from 850 to 1105 – quite a range in each town for schools not too far from each other.

Such differences might reflect local socio-economic factors – but they are also about variations in enrolment practices. Some schools are required to enrol any local students, others set an entry test, charge fees or have a range of enrolment discriminators. Entry tests are a big discriminator, but it is the charging of fees that mostly explains the way in which our schools are 'stacked' in ICSEA order. Among the three main sectors, Independent schools enrol the most advantaged students (average ICSEA 1072), then Catholic schools (1041), then public schools (983). The ICSEA gaps between secondary

schools are even greater. Such socio-educational differences are considerable given that two-thirds of Australia's schools fall between ICSEAs 950 and 1150.

The highest-ICSEA schools include metropolitan government selective schools and Independent schools charging the highest fees. All others form a loose hierarchy behind them. In general the ICSEA ranking of Independent, Catholic and government schools reflects their average level of school fee income per student: \$7,625, \$2315 and \$423 respectively. The hierarchy of school sector raw exam scores is the same.

Even within the upper echelons of this hierarchy, schools are competing to maximise their access to the more advantaged student cohorts. This has become increasingly apparent within the government sector in recent years – with selective, some specialist and high-demand schools increasing their level of SEA. Catholic independent schools have a higher level of SEA than Catholic systemic schools. Amongst Independent schools, Anglican schools usually charge the highest fees and have an average ICSEA around 1100 - even in provincial areas they have the most advantaged student enrolment. Other Independent schools have a less advantaged enrolment: schools labelled as Christian schools usually have a lower ICSEA, often lower than systemic Catholic schools.

The social stratification of our schools is becoming more pronounced. The sifting and sorting outlined above is primarily a product of our structural arrangements. Even where schools don't go out of their way to exclude certain students, it still occurs because of the way the whole system currently functions.

Less than a third of our schools have an enrolment which resembles the cross-section of people in the school's local community.

Many private schools try to reduce the discriminating impact of school fees by creating discounts or exemptions – or by actively seeking to enrol students with identified disadvantages. But it seems that this is not altering the overall picture. There are also non-government schools that try to keep their fees as low as possible. But in low income communities even 'low' annual fees have the effect of sorting school enrolments according to socio-educational advantage.

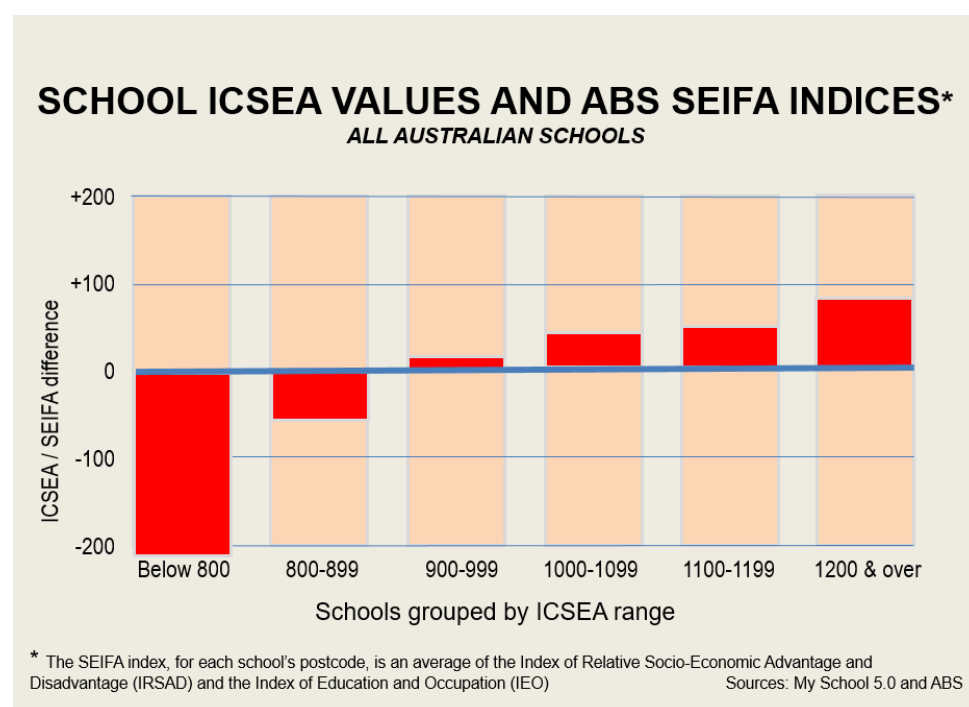
IMPACTS ON THE SCHOOL AND ITS COMMUNITY

For two-thirds of Australia's schools the local community is increasingly not the community of the local school. More than ever before, students go elsewhere to school, or the local school's enrolled students come from somewhere else. Less than a third of our schools have an enrolment which resembles the cross-section of people in the schools' local community. Regardless of school sector and location, schools are increasingly detached from, and less representative of, their adjacent communities.

We found this out by about comparing the composition of school enrolments, indicated by ICSEA, with the socio-economic profile of people who live in the locality, in this case postcode, of each school. Specifically, the Socio-Economic Index for Areas (SEIFA) for each locality is taken as an average of the Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD) and the Index of Education and Occupation (IEO).³³

Figure 9 is constructed from ICSEA and SEIFA data from approximately equivalent years. The columns represent Australia's schools, grouped by ICSEA range, with those on the left denoting schools enrolling the more disadvantaged students, whilst those on the right characterising schools enrolling the more advantaged. The columns clearly illustrate the difference between the socio-economic advantage (SEA) of school enrolment and the measure of the SES of people in each school's locality.³⁴

Figure 9: Australian schools and their localities



The higher SEA schools represented on the right side of the graph enrol students who are more advantaged than might be the case if the schools just enrolled students from the schools' postcodes. It seems that some of their advantaged students are coming from somewhere else.

Students in the lowest (and disadvantaged) SEA schools, shown on the left of the graph, are noticeably less advantaged than the families in the schools' postcodes. This suggests that the more advantaged students who live nearby don't go to the local school – they seek their schooling elsewhere.

There is scope for more detailed work in this area, but our tentative findings are also suggesting that:

- The differences between school enrolments and the local community are more noticeable for secondary schools than for primary schools;
- The differences are more evident in provincial, compared with metropolitan areas;
- Higher SEA schools in places such as outer western Sydney seem very socially detached from their localities; and

“
If the local school is increasingly detached from and unrepresentative of its surrounding area, then our communities lose another avenue for social exchange and gathering, and our communities are less cohesive overall.
”

- Enrolments in middle and higher SEA government schools seem to be more representative of their localities than similar non-government schools.

The pattern illustrated in Figure 9 is generally similar for schools in all three sectors. It is certainly the case that government schools, located in disadvantaged localities, have an enrolment which is even more disadvantaged. Conversely, those located in advantaged localities have an enrolment which is even more advantaged. The idea that government schools are representative of their locality really only applies to schools, admittedly a very large number, around the median ICSEA between 900 and 1100.

While *My School* doesn't explain it, this pattern for the government sector is likely a product of differentiation between government schools – for example the creation of specialist and selective schools – and a loosening of school zoning. While more research is needed, we would suggest that this is a relatively recent development – and, with greater autonomy for government schools, is likely to increase into the future.³⁵

The issue of community representation in our local schools is important and merits deeper examination. Our local schools can facilitate closer social and cultural bonds in the surrounding neighbourhoods. Schools offer not only learning centres for students, but places where the local community, students and parents alike, can come together via shared experiences. If the local school is increasingly detached from and unrepresentative of its surrounding area, then our communities lose another avenue for social exchange and gathering, and our communities are less cohesive overall.

BOX 4: AUSTRALIANS CHOOSE ... NOT TO CHOOSE

An assurance that the local public school is the best choice would certainly resonate with Australians.

A survey conducted in mid-May 2016 by Essential Media revealed surprising opinions about school choice. Respondents were asked:

‘When choosing a school, what do you think is most important – to have a guarantee of a quality local public school or to have a greater choice of schools?’

Almost three quarters (74%) said having a quality local public school was more important. Less than one fifth (18%) opted for having a greater choice of schools. The responses didn't vary greatly according to how people usually voted or even whether they had children. Labor and Coalition voters were equally certain they wanted a quality local public school, Green voters even more convincingly.

It seems that the vast majority of people would happily choose ... not to choose.

REDRESSING THE BALANCE: THE ROLE AND REALITIES OF FUNDING

The years since the Gonski Review have been characterised by delays, protracted negotiations, political machinations and sporadic implementation of what Gonski recommended. It is not our intention to report on these events – instead we'll show school funding as it is (at the time of the most recent finance data) and what it all might mean. The point we have reached in school funding is significant because in most states there has been limited commitment to the recommendations of the Gonski Review. This suggests that what we have now may continue into the future. All the more reason to investigate what we have now.

Funding the need

The idea that school funding should be based on student need has been widely accepted in the aftermath of the Gonski Review yet we have now seen the Abbott and Turnbull Governments withdraw from funding the final two years of the Gonski model. Students in disadvantaged schools require a diverse range of support services. Some of the services can be provided by re-assigning existing resources, but most involve additional costs: in material resources, more individualised learning organisation, specialist teachers, staff development, consultants and the like.

The Gonski Review acknowledged that money, of itself, does not improve outcomes for students. However almost all of the strategies that can improve outcomes for disadvantaged students either begin with, or eventually require, the expenditure of additional funds. Skilled teachers, in particular, are central to students' success at school.

It is worth checking our high and low-ICSEA school groups again to see if more funding has been going to schools with demonstrably greater needs. Financial data has now been published on *My School* for 2009-2014 and we can average the amounts that have been spent on students in our two ICSEA school groups over that period.

Figure 10: Government-sourced income per student, sample schools, 2009-2014

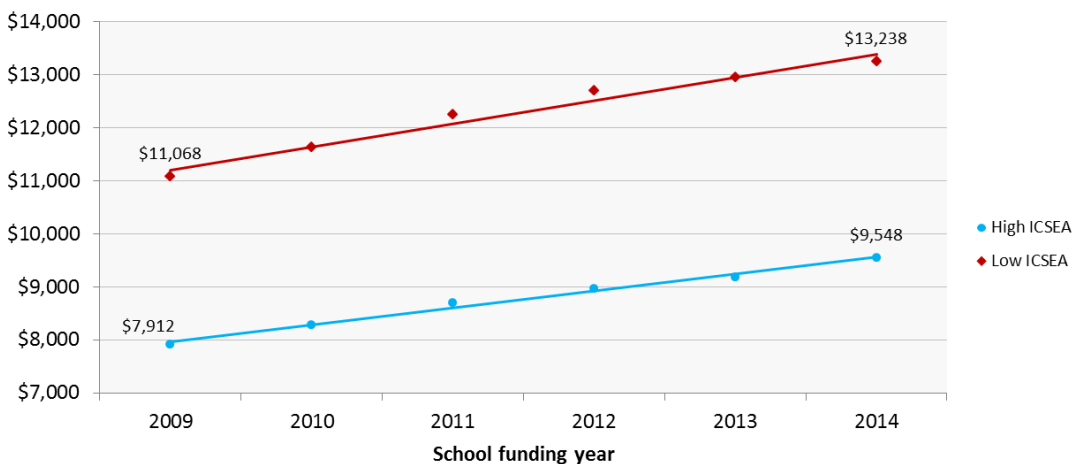
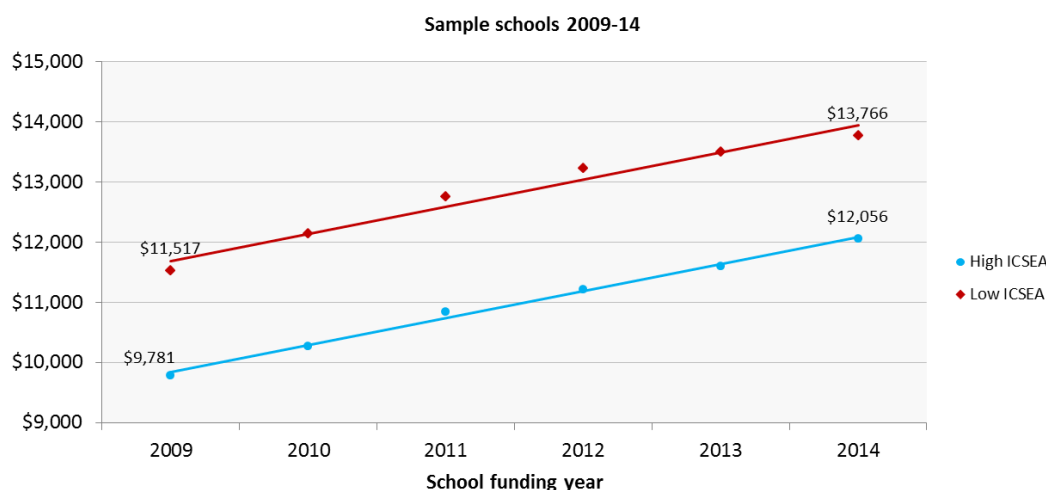


Figure 10 shows the distribution of all government funding to the two groups of schools. It highlights that government-sourced funding for the high-ICSEA schools rose year-by-year by around \$327 per student. Over the same period, the students in low-ICSEA schools received average increments of around \$434 per student. The difference of \$107 is underwhelming. Whether or not governments collectively believed that it would compensate the low-ICSEA schools for their added workload is beside the point when we look at the overall picture of net recurrent income.

The next graph, Figure 11 shows net recurrent income, the total income per student from all sources, for these same groups of schools. The two trend lines on the graph are almost exactly parallel: in terms of net dollars spent, the income of the two groups of schools increased at very similar rates over the period. The low-ICSEA schools consumed a fairly consistent \$1,720 per student (around 16%) above the spending levels of the high-ICSEA schools. In the light of the Gonski Review's findings about the challenges faced by low-ICSEA schools, the question that immediately springs to mind is: is that enough?

Figure 11: Average Net Recurrent Income Per Student (NRIPS) for schools in the sample groups



In summary, from Figures 10 and 11, we can see that:

- (i) the lower ICSEA schools (red) have consistently received greater net funding (around \$1,720 per student) from all government and private sources than the higher ICSEA schools (blue), as we would expect if student need was a major determinant of the funding they receive. We would also expect that it would increase as levels of need increased; however,
- (ii) the rate of funding increase was actually slightly greater for the advantaged schools (~\$455 per student per year) as for the disadvantaged schools (~\$450 per student per year), over the period.

While clear benchmarks are lacking in this area, there appears to be insufficient net compensatory difference between the funding growth of the two sets of schools relative to their changing circumstances. Indeed, the need for such benchmarks was recognised in the recommendations of the Gonski Review for a SRS and loadings for disadvantage. We will return to this matter at a later point.

Funding the sectors

The funding of schools by sector is hotly debated in Australia, a part legacy of our failure to achieve a settlement between government and non-government schools on a number of fronts. In this report we not only use *My School* data but, as far as possible, use consistent measures such as dollars per student and ICSEA comparable sets of schools.

Many statements about school costs use Productivity Commission figures. But the Commission's expenditure figures for government schools are inflated by the inclusion of the user cost of capital. As explained in Appendix 3, this is generally considered to add around 15% to the apparent cost of government schools. The Productivity Commission is not comparing apples with apples in terms of actual running costs. In contrast, the finance data on the *My School* website uses reasonably consistent methodology across all sectors – and should be used when comparisons are made between them.

In Australia, the amounts and sources of public and private funding available for our schools are strongly linked to which of the three sectors operates the school. Government schools are almost entirely funded from the public purse by state/territory governments, with smaller contributions from the federal government. Catholic schools are majority funded by the federal government with smaller contributions by state governments and parents and while Independent schools are quite diverse, many are majority funded by parents and other private sources. However an extraordinary trend is developing regarding the funding levels of the different sectors, which we explore below.

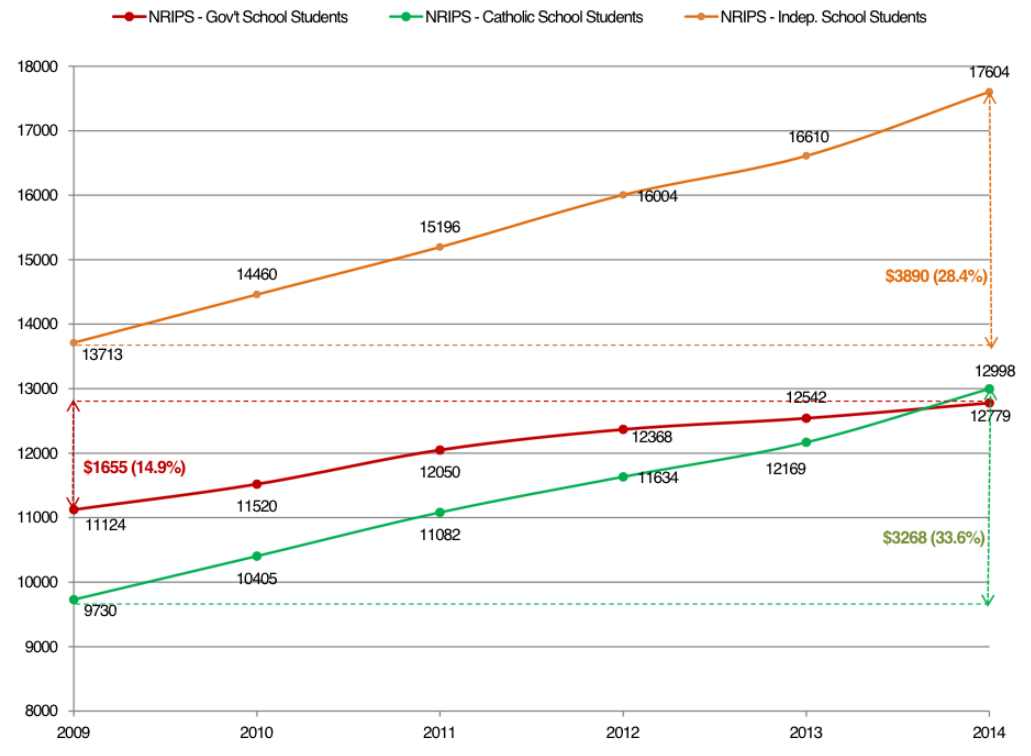
A key concern of the Gonski Review panel was the situation of students in disadvantaged communities. Such students are quite asymmetrically distributed in schools across (and also within) the three sectors and were – and still are – subject to funding arrangements that don't seem to have any clear, transparent and consistent relationship to their needs.

Student needs also vary across the sectors. We know this because *My School* not only shows the level of socio-educational advantage in each school and sector – it also shows the distribution of students by SEA quarter. This is illustrated in Figure 6: over 56% of government school students in 2015 were from families in the two least advantaged quarters, compared to around 40% of Catholic school students. Almost 75% of Independent school students came from families in the two most advantaged quarters.

To what extent does funding align with what are demonstrably different needs? As shown in Figure 12, Independent school funding, from all sources, is much higher per student than it is in the other two sectors. Two years ago average net recurrent income per student for Catholic schools began to exceed that for government schools. Keep in

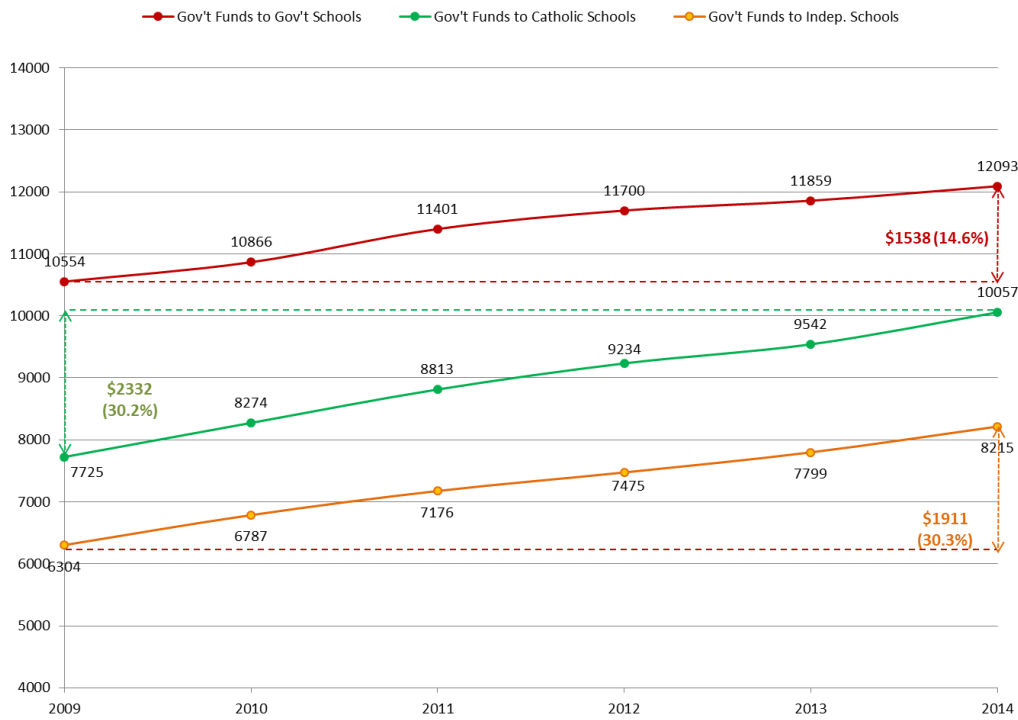
mind that Figure 12 compares average expenditures in each sector. As we comprehensively explain in Appendix 4, these averages show little relationship between funding levels and the educational needs of their students. Compared with other countries this is an unusual situation, a legacy of the way non-government schools in Australia receive substantial public funding, while also being able to charge unregulated fees.

Figure 12: Net recurrent income per student by sector, 2009-2014



That's the situation as it applies to average funding from all sources, measured by sector averages. But when it comes to government funding something very extraordinary is happening, illustrated by trends shown in Figure 13.

Figure 13: All government recurrent income per student, by sector, 2009-2014



Over the period since the Gonski panel began its review, government funding (state plus federal) to government schools increased by an average of just under 3% per annum, which is comparable with inflation. In the same period, government funding to non-government schools increased by around 6% per annum, twice the rate to government schools and a figure well above inflation.

But we need to have a closer look because such average figures about funding only tell some of the story. Instead of comparing the full dataset of schools in each sector, let us examine the relative funding of schools in the ICSEA range 1000-1049. This ICSEA range contains around 19% of government schools, 35% of Catholic schools and 21% of Independent schools. The students in these schools come from backgrounds that are on the advantaged side of average, but most importantly, they have at least comparable levels of socio-educational advantage and thus comparable degrees of educational challenge.

Figure 14: Government-sourced recurrent funding for similar ICSEA schools
for schools in the ICSEA range 1000-1049

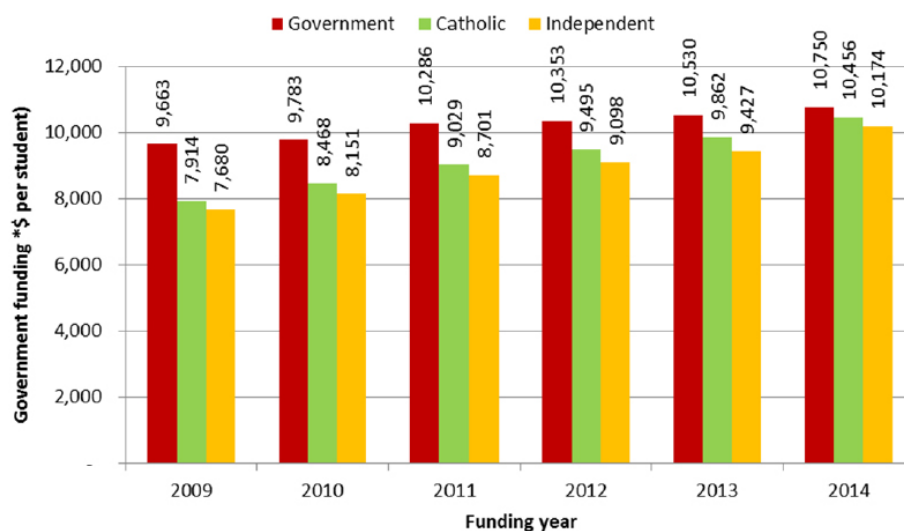


Figure 14 shows the amounts funded by governments for these schools. The public funding of non-government schools is increasing at a rate that it is catching up with the public funding of government schools enrolling similar students. While other gaps in our framework of schools are widening, the funding gap is narrowing.

How does this situation look if we compare funding in all the ICSEA ranges? As depicted in Figure 15 the most recent funding figures from 2014, show that, in comparison with government schools enrolling similar students, Catholic schools:

- in the 400-949 ICSEA range received public funding well in excess of comparable government schools;
- in the 950-999 range received 99.5% of the public funding of comparable government schools;
- in the 1000-1049 range received 97.3% of the public funding of comparable government schools;
- in the 1050-1099 range received 93.2% of the public funding of comparable government schools;
- in the 1100-1149 range received 90.8% of the public funding of comparable government schools; and
- in the 1150-1299 range received 84.2% of the public funding of comparable government schools.

The vast majority of Independent schools are between 54.3% and 91.1% publicly funded as indicated in Figure 16. If recent rates of increases continue they will also overtake many government schools enrolling similar students within a couple of years.

Figure 15: Government recurrent funding of Catholic schools by school ICSEA group

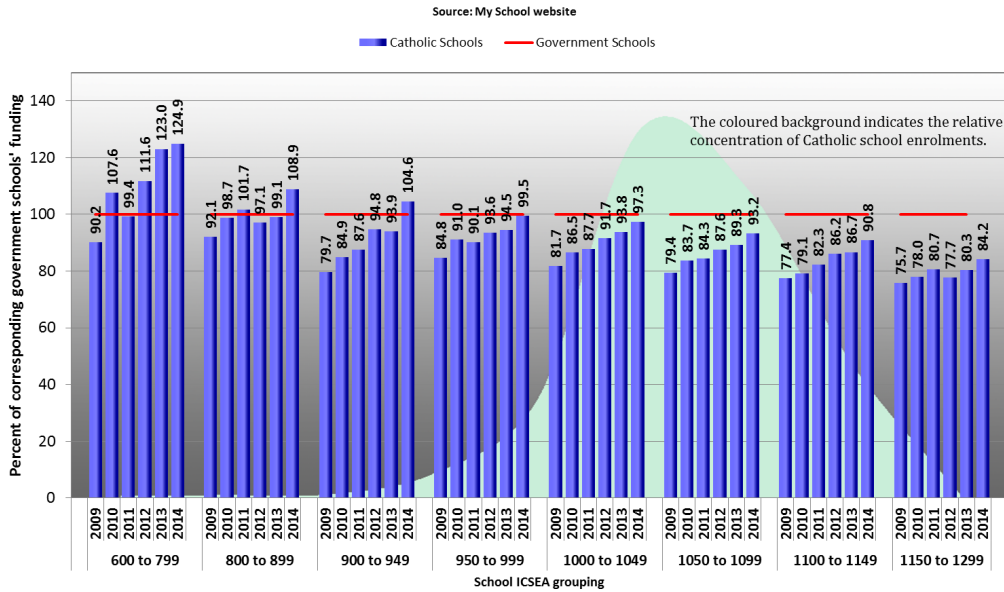
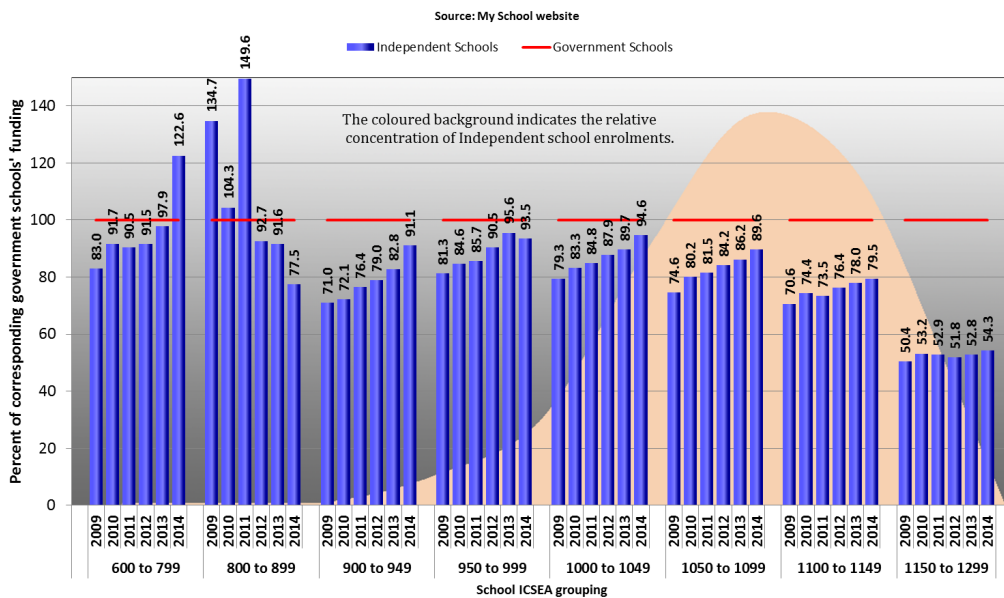


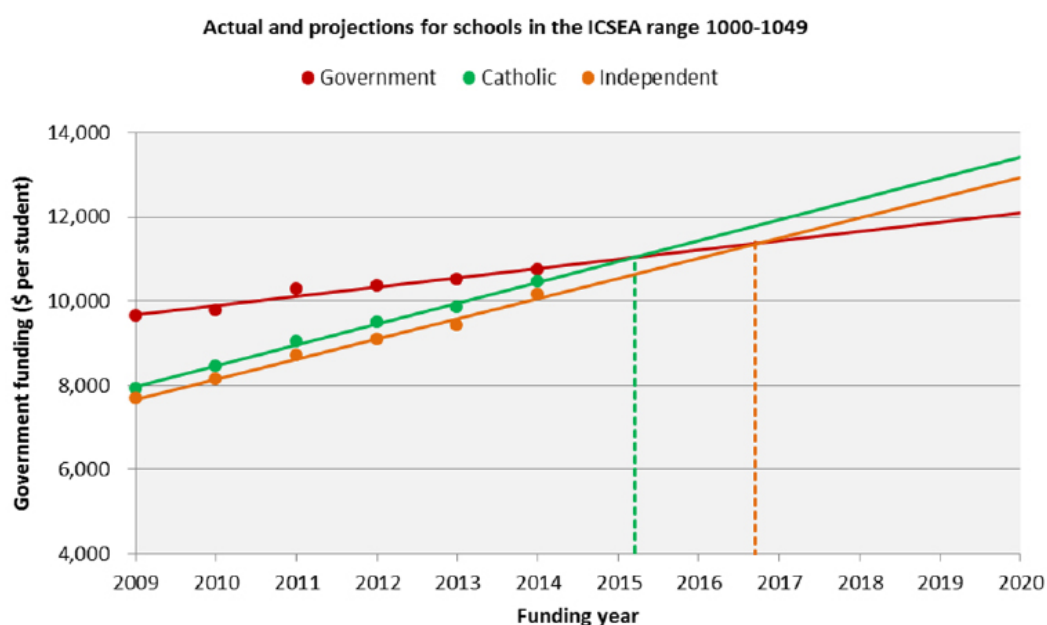
Figure 16: Government recurrent funding of Independent schools by school ICSEA group



In both graphs the data trends represented by columns backed by the green or orange bell curves are most significant. These show the distribution of students in each sector. For this reason trends in the lower ICSEA ranges are not as relevant because there are very few Catholic or Independent schools in these ranges. The more significant trends are shown where most students are found, in the ICSEA groups between 950 and 1150.

How is it happening that non-government schools, in funding terms, seem about to become 'government' schools? Notwithstanding any other possible changes it is clearly possible to project the current trends indicated by Figures 15 and 16 into the immediate future. This is indicated, for schools in the ICSEA range 1000-1049, in Figure 17. Many factors impact on the direction and distribution of funding. The history of school funding is littered with special deals and decisions made by governments, especially in response to pre-election advocacy from school peak groups, as illustrated by school funding decisions made in NSW and Victoria in 2015. There will also be differences between the states based on the extent to which they implement what has evolved out of the Gonski Review recommendations. There have been suggestions to review federal-state relations including in education, but they don't give any priority to addressing funding equity. The Turnbull Government has pledged an extra \$1.2 billion but where will the money go and will it really alter the trends illustrated in Figure 17?

Figure 17: Government recurrent funding by sector-actual and projected



But even if the trend slowed or reversed it would take little from the absurdity and unsustainability of what it reveals. The issues we raise below ('But why should it matter?') remain relevant and support the need for new policy directions as we outline in Section 3.

The situation has never previously been considered in the past because statements about relative levels of government funding have always referred to the average funding received by each sector. As demonstrated such averages hide the full story. The advent of *My School* and its clear identification of schools enrolling similar students, render statements about averages obsolete and misleading.

Yet arguments still focus on averages. As we explain in detail in Appendix 4, the use of averages in such comparisons assumes that each sector enrolls identical students in terms of socio-educational background, which clearly is not the case. When we first released our findings in July 2015 the National Catholic Education Commission (NCEC) responded:

'On average, Catholic schools continue to receive about 80 per cent of the funding per student received by students in government schools...By using funding levels from 2009 to 2013 and simply extrapolating future funding on that basis, there is a major deficiency in the analysis'.³⁶

The NCEC wasn't to know it at the time, but even the average Catholic school figure is now (or was in 2014) 83.16%, up from 73.19% in 2009.

The Association of Independent Schools responded in a similar way, and also relying on measures that are inappropriate to the purpose.³⁷

'The Productivity Commission has shown that government funding heavily favours students attending government schools, by a difference of almost \$7,000 per student.'³⁸

My School shows the difference is just over half that amount (\$3,878). Again, even if the average funding of sectors is compared, public funding of Independent schools has risen from 59.7% of government schools in 2009 to 67.9% in 2014.

Gonski's finding that 'Australia lacks a logical, consistent and publicly transparent approach to funding schooling' is fast becoming an understatement. The large increases in public funding to non-government schools will substantially disturb the whole relationship between government and non-government schools in our strange hybrid arrangement.

We are now deliberately contributing to the stratification of our schools into a hierarchy. In an era of market competition, government is intervening heavily to tilt the playing field further against government schools. Non-government schools retain the autonomy to select students, continue to benefit from multiple financing sources and operate on a different basis to the public missions of our government schools. This all demonstrates a system that is unsustainable over the long-term and in acute need of major reform.

BOX 5: BUT WHY SHOULD IT MATTER?

Some people might respond to such revelations by saying that it is only reasonable that schools serving similar students be funded at similar levels. That might make sense if the schools also have similar obligations and accountabilities. But they don't. While there has been some convergence between government and non-government schools in such areas as curriculum, assessment and teaching standards, significant differences remain. The 'playing field' on which the sectors compete is anything but level. Ours is a framework of schools characterised by an uneven mixture of governance structures and processes, financial incentives, obligations, responsibilities and accountabilities. **(cont.)**

The biggest difference relates to enrolment and is essentially created by the charging of fees. Non-government schools are able to set their own fees, as well as impose other criteria for admission or exclusion of students, on grounds that would be illegal in the government school system. Fees are an especially significant way in which enrolments in Australian schools are 'sorted'. Using *My School* and ABS data we have calculated that only half of Australia's two-parent families are able to send one of their children to a non-government school. The other half do not have a disposable income high enough to pay the fees. In this way every school which charges significant fees is a de-facto selective school, 'choosing' families which, in the main, have a greater socio-economic and socio-educational advantage.

As a general rule, non-government schools also have a statutory exemption from a range of anti-discrimination provisions. They can hire and fire staff, and refuse admission to students based on their disability status, sexual orientation, sex, age, marital or domestic status. In fairness, the exercise of such exemptions is likely to vary between schools, but attempts to apply anti-discrimination provisions equally to all schools have been strongly resisted by some in the private sector.

Despite improvements, accountability requirements vary in ways that can't be justified. Media reports referring to statistics concerning incidents in schools, student behavior and suspensions mainly refer to government schools. Notwithstanding their substantial public funding, private schools are not 'government agencies' under Freedom of Information (FOI) legislation and are not required to make such information widely available.

Other discriminators remain. A scan of school websites illustrates the many hurdles and mechanisms used to sift enrolments. While most fee-charging schools claim to be non-selective they can routinely ask for some or all of non-refundable fees, reconfirmation two years prior, full family details, referees and additional details at interview. Schools are variously able to apply additional discriminators or incentives in the form of scholarships, entry tests, previous school reports and test results and other restrictive (including religious) criteria.

It is certainly the case that a number of government schools are also able to employ some of these discriminators. The number of test-entry government schools is growing, especially in NSW. Specialist government schools largely set their own entry criteria. High-demand government schools are well placed to exercise some discretion over who to enrol – even though they should not engage in such practices. Instances of this have been published in the media.³⁹

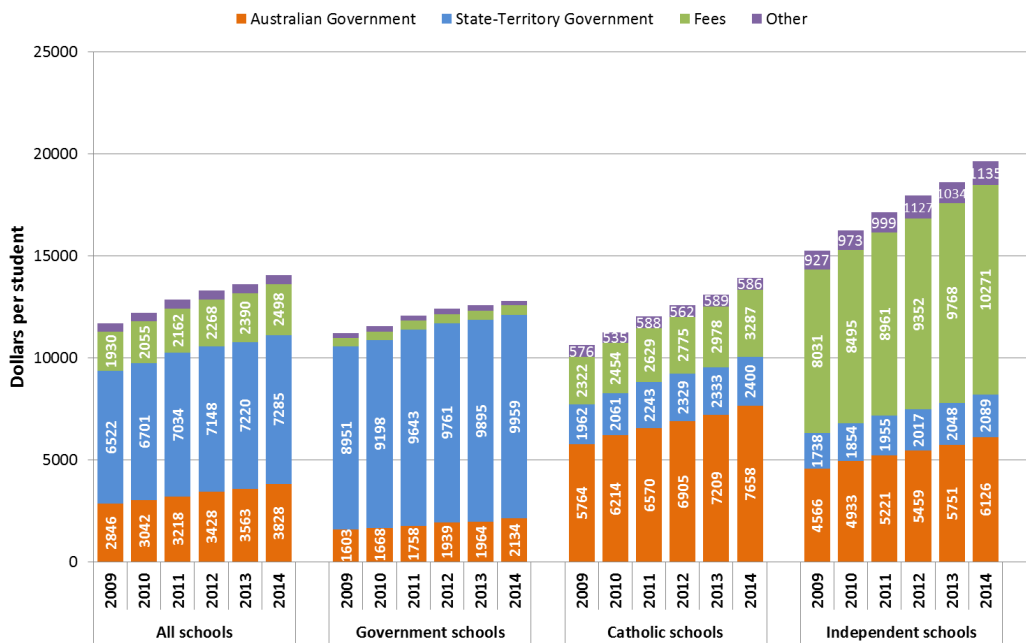
But it is the institutionalised differences between government and non-government schools which remain the most significant. In the light of dramatic funding shifts, they are far less able to be justified.

The federal funding fiasco

For a variety of reasons the Commonwealth government has become a large source of direct school funding, primarily to non-government schools. As indicated in Figure 18, between 2009 and 2014 its expenditure on all schools rose from \$2,846 to \$3,828 per student, a 34.5% increase. This is considerably higher than the 11.7% increase in state and territory expenditure per student (in all sectors) over the same period. In 2014 the Commonwealth provided \$2,134 to every government school student, \$7,658 to every Catholic school student and \$6,126 to every Independent school student.

It is not intended in this section to revisit the way in which the overlapping roles of the Commonwealth and states has evolved – and the ways in which it operates.⁴⁰ Figure 18 tells us about one of the outcomes, namely the money going into schools and where it comes from.

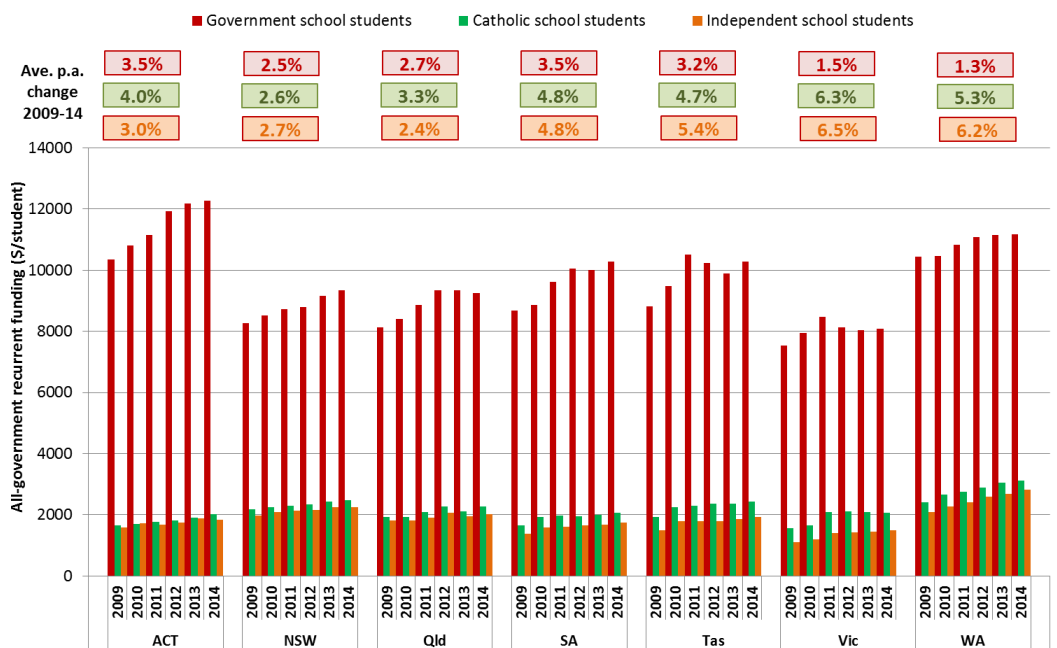
Figure 18: School recurrent funding by sector, 2009-2014, dollars per student



What about state and territory government funding? If lack of logic and consistency is an indication of policy failure then the funding of schools by state and territory governments ticks all the boxes. The Gonski Review found that ‘there is an imbalance in the provision of funding to government and non-government schools by the Australian and state and territory governments’. To overcome this and other problems the Review recommended that a National Schools Resourcing Body be established to co-ordinate funding. It didn’t happen. It would be difficult for anyone to read our findings on these pages - and not want to have another close look at the Gonski Review recommendations.

There will always be some variations between the states and territories in the way they fund schools, if for no other reason than because of differences in where schools are located. The total cost of providing every school student in remote and very remote schools, on average, is over twice as high as the cost of students in metropolitan areas. The percentage of remote and very remote schools is 68% in NT, 16.6% in WA, 10.3% in Qld – down to 2% in NSW and just a handful in Vic. We can get a more meaningful comparison of jurisdictions' funding if we consider the way states and territories fund their metropolitan schools. The picture it paints, as illustrated in Figure 19, is strange enough as it is.

Figure 19: State recurring funding per student, 2009-2014 - metropolitan schools



Note that the Australian Curriculum, Assessment and Reporting Authority (ACARA) does not classify any Northern Territory schools as metropolitan.

In 2016 Prime Minister Turnbull floated the idea that the states and territories fund government schools, leaving the Commonwealth to fund non-government schools. The proposal to entrust the states alone to fund public schools created considerable alarm – for many good reasons, including those apparent from Figure 19.

There is a wide variation in the level of funding of metropolitan government school students by the different jurisdictions. In 2014, the most generous jurisdiction was the ACT providing over \$12,000 per government school student and the least generous was Victoria at around \$8,000 per student. If families want a non-government school generously funded by the states, they should perhaps move to Perth.

The rate of increase in most state/territory funding to government schools between 2009 and 2014 is also hard to explain, ranging from 1.3% per annum in WA to 3.5% in SA and the ACT. The fluctuations within most jurisdictions suggest that funding decisions

(by all governments) are strongly driven by short-term fiscal needs and perhaps lobbying by school sector peak groups – rather than by any systematic or long-term planning.

Amongst all the jurisdictions, New South Wales increased funding to the three sectors in a way which might best reflect some logic. Students in each sector received an increase of around 2.5% per annum, something which may have helped meet increasing school costs while maintaining existing relativities between the sectors. It is worth noting that, among all the jurisdictions, NSW especially has directed its allocation of National Education Reform Agreement funding (over-generously referred to as Gonski funding) to schools and distributed on need. Funding increases in the ACT also reflected the same logic, but not anywhere else. Most of the states and territories – the level of government charged with resourcing government schools – increased funding to non-government schools at higher and sometimes much higher rates than to their own schools.

Does money go to where it matters?

Finally in our analysis of funding we touch on the issue of effectiveness of our overall investment in schools. There has been a renewed debate about money and schooling in the years since the Gonski Panel reported, partly triggered by the cost of implementing the recommendations. Various analyses show that claims that increased funding is not linked to better performance don't stand up to close scrutiny.⁴¹ The benefits of increased, targeted investment are well known.⁴²

The pressure to implement the 'full Gonski' has shown no sign of abating during 2016 and the 'money doesn't improve results' rhetoric has also been ramped up from some quarters in response. In April 2016 Federal Education Minister, Simon Birmingham, released an analysis of 375 schools that had improved in their NAPLAN results in one year – with apparently less funding. Birmingham reportedly said the analysis of the results from these schools – representing about 4% of all schools – proved that the Gonski reforms had been a failure.⁴³

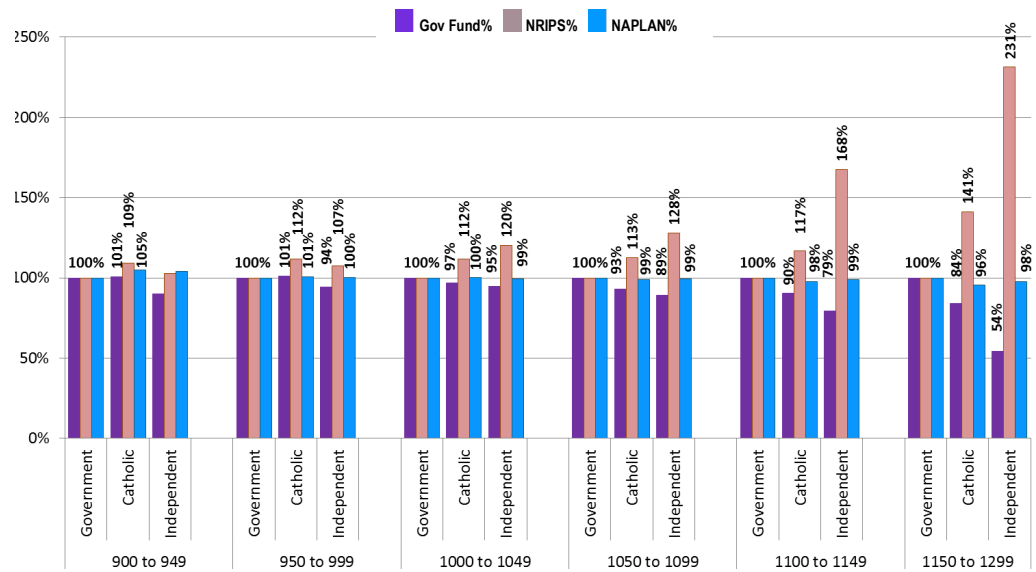
Earlier in 2016 Minister Birmingham declared that he wanted extra spending on schools to provide 'more value for money, most importantly better outcomes from the students'.⁴⁴ *My School* provides some unhappy news for the Minister, but in ways which might surprise. There are clearly many schools where there isn't a strong association between more money and better results, but perhaps not the schools that the Minister had in mind.

Figure 20 shows 2014 funding and student achievement of schools in six ICSEA groupings. It shows averages of government funding per student (purple), net total recurring income per student (pink) and NAPLAN (blue) for each ICSEA group. The columns for government schools are set at 100% within each group to allow a comparison of the three sectors in each ICSEA range. If any column is above or below 100% it is above or below the column for similar government schools. The graph also shows NAPLAN, illustrating the negligible difference between the sectors, when student background (as indicated by ICSEA) is taken into account.

In the ICSEA range 1050 to 1099, for example, Catholic schools were funded by governments (the purple column) at 93% of the level of government schools in 2014.

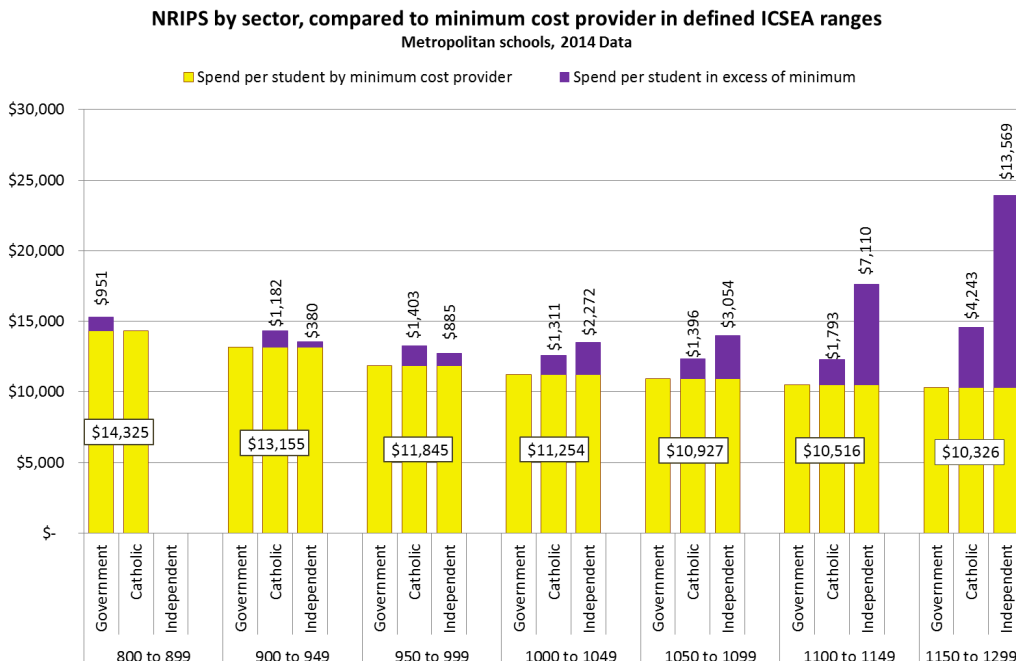
When all funding is taken into account (the pink column) they were funded at 113%. As we have already shown, the government funding of non-government schools is at much higher levels than commonly thought – and total funding is almost always higher and sometimes much higher, especially in the Independent sector at the higher ICSEA end.

Figure 20: Comparison of government funding, net recurrent funding and NAPLAN averages



Given that schools with similar enrolments have similar measurable outcomes, the next question is: how much recurrent funding goes into these schools that achieve similar results? We found the answer by analysing the funding going into, and results coming out of, schools with similar students - but different resourcing. In an age where governments of all persuasions like to propose ‘doing more with less’, across almost all ICSEA ranges it is the government schools where the amounts spent per student are the lowest, and thus these schools are the lowest cost providers. In Figure 21 this lowest amount, the amount needed to be spent per student in various ICSEA groups (to achieve the common outcome for each group), is shown by the yellow columns. Amounts actually spent in each case are shown by the yellow columns plus the purple extension. The totals per student are shown at the top of each column.

Figure 21: Funding per student in excess of minimum cost providers



We can for the sake of argument call these additional amounts shown in each column, overspend. This overspend exists at times in all sectors, but is very noticeable in non-government schools with more advantaged students. In an earlier study we calculated this overspend across all Australian schools to be around \$3.3 billion.⁴⁵ The bulk of this funding, especially in the more advantaged schools, is money paid by parents, mainly as fees. The government share totaled around \$1.3 billion in 2013. It is likely to be much higher now.

If our rhetoric around investing money in schools is about improving student results then it could be argued that the \$3.3 billion is a poor investment: it has had little or no additional impact on measurable student achievement. We need to know more about how the money is spent in these schools and why it has such little impact. What we do know is that the public funded portion, if redistributed, could greatly increase our investment in schools below ICSEA 900 - in all sectors. In Section 3 we discuss some of the arguments raised in the context of funding advantaged schools.

It is possible to respond to this analysis by pointing to considerable amounts spent on low ICSEA schools without, it is often claimed, measureable improvements in student outcomes. It is certainly the case that some low ICSEA schools are funded more than others to achieve the same results – and some do better with the funds they receive. This creates a strong argument, not to reduce funding, but to ensure that the investment is properly targeted based on the best available evidence, with clear reporting and accountability requirements.

In money terms the scale of any problem at the low-ICSEA end is quite different. There are just over 600 schools between ICSEA 600 and 900. Ninety per cent of these are government schools; high-needs schools and/or schools found in high-cost locations.

The total recurrent income spend on these schools is around \$2.5 billion, almost all of this money provided by governments. While it is a considerable sum it is only around seven per cent of combined government recurrent school expenditure – an expenditure which in this case is far easier to justify.

SECTION 3: THE SCHOOL FUTURE

WHERE ARE WE HEADING?

In the context of debates about schools, this report, *Uneven Playing Field: the state of Australian Schools* has taken an arguably simple approach: where have we been, and what does the data show about where we are? In this final section the focus is on what our findings might suggest for the future – and how we might turn a possible future into a preferred future.

Our findings from *My School* contribute to a growing body of evidence about problems in Australian schooling coming from a range of observers and researchers. The pace of criticism shows no sign of slowing. Since the middle of last year we have seen:

- another report issuing warnings that students are not improving;⁴⁶
- ambivalence from one of its advocates about the benefits of school autonomy;⁴⁷
- from a mainstream player, a warning about increasing gaps between high and low SES schools;⁴⁸
- a report showing class and ethnic segregation of Sydney's schools;⁴⁹
- a major report on educational opportunity in Australia;⁵⁰
- a renewed call to build our nation through public education;⁵¹
- more research on funding inequities;⁵²
- criticism of Australia's schools from the OECD;⁵³
- another report from the OECD on why low performing students are falling behind;⁵⁴ and
- yet another high profile report on widening gaps.⁵⁵

Such developments reinforce our impression that we are in transition to another, though unknown, era. By using recent data this report adds more to the case for change. The rich information we now have should be pushing us towards better policy.

IF THE TRENDS CONTINUE

We only started tracking trends indicated by *My School* data in its fifth year, 2014⁵⁶ because trends can sometimes take years to emerge. And trends can change: there is no guarantee that those evident in recent years should continue into the future, hence projections have to be made with care. But in most cases the trends we have mapped have been quite clear and, in the absence of substantial policy change, there is every

likelihood they will continue. At the very least, we should think about where they might take us if we don't change direction.

Inequity will rise

We were surprised to be able to identify and track shifts in our socio-educational gradient, our steepening 'equity slope', over just a few years. The educational outcomes of schools should be created by the things that schools do, by the effort and expertise of teachers and by school leadership - all supported by the right policies about how to provide and resource schools. Yet these outcomes are increasingly the result, in the well-known words of the Gonski Review, of '*differences in wealth, income, power or possessions*'. Inequity is rising. This is especially happening in secondary schools and in our cities where choice of schools, Australian style, is most exercised.

The Gonski Review raised awareness about the importance of equity to policymakers and to the wider community. Concern about equity isn't likely to diminish, especially as people become increasingly aware of the consequences and cost of allowing the achievement gaps to widen. As a recent Grattan Institute report indicated, the economic case alone for closing these gaps includes higher individual earnings, lower welfare costs and stronger economic growth.⁵⁷ Long-term projections put the costs of not lifting student achievement well into the billions.⁵⁸

We would welcome any scrutiny of our findings in this critical area and acknowledge more work needs to be done. Equity gradients are a measure of the capacity of our framework of schools to deliver fairness and across-the-board achievement. If we don't improve equity we positively impact disadvantaged schools and students. If we don't do that we'll fail to lift the nation.

Enrolments will continue to shift to advantaged schools

While equity gradients might seem to be abstract in nature the shift of student enrolments is something everyone sees, even if it is often described quite narrowly in school sector terms. It can equally be seen as a slow but consistent movement of particular students out of lower, and into higher, SEA schools.

Making projections out of the 2010-2015 enrolment data is certainly possible. If we could chance projecting five years *back* from 2010, the average size of schools in our lower and higher-SEA groups was much closer to each other, an average of 325 students in the lower-SEA schools and 400 in the higher SEA schools.

Looking five years into the future, we can anticipate that our lower-ICSEA schools in five years' time will have, on average, 350 students - against 550, over 50% more, in our higher-SEA schools. Apart from the implications for school planning and provision, it is a troubling scenario for lower-ICSEA schools on a number of counts.

Disadvantage will concentrate further

The problems faced by schools with a shrinking enrolment are compounded by the fact that the students who are moving tend to be more advantaged than the ones they leave behind. Our socio-educationally advantaged schools are increasing their proportion of the most advantaged students – and, in one way or another, gradually losing their share of those who are more disadvantaged.

Many years ago the OECD showed that Australia was, more than most other countries, concentrating disadvantaged students into disadvantaged schools and the advantaged into schools with their peers.⁵⁹ Again we were surprised that this trend is continuing in ways that are measurable over just a few years. The data suggests that the way we provide and resource schools is reinforcing inequality and social class stratification.

It is difficult to project these particular trends too far into the future. However, in the absence of any intervention to slow this hollowing-out process, we believe that the concentration of the disadvantaged students in disadvantaged schools will continue to rise. Few of the past and current reform initiatives for schools focus on this problem – and Gonski wasn't directly tasked to solve it.

However, the Gonski recommendations, if implemented in full, would have helped: substantial funding on a needs-basis would have created, and still could create, a levelling effect. As we explained on page 31-32, benefits – including a higher achievement profile – currently accrue to schools which increase their density of advantaged students. As the research indicates when pitched into competition with each other, schools (including public schools) respond by seeking more of these highly prized inputs. Substantial funding on need would reduce such perverse incentives and enable low-SEA schools to improve their profile – and appeal to those families who would otherwise vote with their feet to go elsewhere. However, given the continuing marginalisation of low-SES schools it now might take far too long for such indirect solutions to have an impact. More is clearly needed.

The school hierarchies will deepen

Australia has always had socio-educational differences between schools, substantially reflecting the diversity of places in which they are located. The difference now is that relative advantage and disadvantage is increasingly evident, not only between schools in separate locations, but between schools located within close proximity – especially in provincial areas.

Our findings on the developing hierarchy of schools aren't particularly new, but are now far more detailed in the light of the readily available ICSEA values and SEA quarter distribution data available on *My School*. The hierarchy is more complex than generalisations, for example, about a 'two-tier' system, or 'rich and poor schools' might suggest. It also varies in intensity between places, levels of schooling and school sector.

It reaches into every Australian community where there are co-located and competing schools. It is not only evident between the school sectors, but within them.

Based on our other findings, and in the absence of any changes to the school framework, we can expect these hierarchies to become further entrenched. This will be increasingly noticed within the government system if current moves to make public schools more autonomous – with fewer controls over enrolment – remain in place. However, in our experience, even rigid zoning and enrolment regulations may not be enough to prevent further stratification.

Schools will increasingly detach from the local community

One change which will almost certainly continue is the growing disconnect between schools and the places in which they are located. As we reported in Section Two, for two-thirds of Australia's schools the local community is increasingly *not* the community of the local school. More than ever before, students go elsewhere to school, or the local school's enrolled students come from somewhere else. Less than a third of our schools have an enrolment which resembles the cross-section of people in their local community. Schools as hubs that help knit communities together will become increasingly rare, as they are increasingly unrepresentative and detached from their localities.

Why should it matter? Leaving aside all the problems created by compounded disadvantage, there are benefits if schools can be a significant community hub. The Mitchell Institute's major report, *Educational opportunity in Australia 2015 – who succeeds and who misses out* identified that high levels of both residential and sectoral segregation of students in Australia tends to reinforce patterns of inequality and strengthen differences in school performance (see also the jump-out box on page 65).⁶⁰ Students and families are the winners if schools are responsive to local needs and help build and lift communities. Schools can help create social capital, which includes the networks of leadership, influence and support that knit communities together. They provide cultural capital, especially the knowledge, skills, education, and advantages that people need to achieve success. At the very least, we need to know much more about the impact of current patterns of school choice on the creation and distribution of social and cultural capital. This is one area where additional research is needed.

It is another consequence of choice, Australian style, and another dimension of our divided schools. The social diversity which previous generations witnessed *within* schools is increasingly evident *between* them.

Funding imbalance will widen

School funding data from the *My School* website confirms much of what the critics have been saying in the years before and since Gonski reported. Differences in funding levels do show that attention is being given to funding, at least by governments, on need. But

the rate of recent increases tells something else: over the last five years funding for low-SEA and high-SEA schools has increased at constant rates, revealing that no additional attention has been given to need.

Viewed by sector, recurrent funding for government schools, which enrol students with the greatest needs, has increased at just half the rate of increases to the non-government sector. Government funding to the latter is increasing so quickly it is on track to exceed funding to similar public schools. Regardless of the way this might trend we now have public and private schools funded, by government, at similar levels – an arrangement which is simply at odds with the reality that one is a public system and the other, in a legal and technical sense, privately owned and operated – yet with significantly different accountabilities and obligations.

The differences between the states and territories in their funding of schools, and the differences between levels of government seem to defy explanation. Recent data doesn't even show clear trends; it just seems to change from year to year, possibly according to election cycles and the various pressures from sectoral groups.

We anticipate that future analysis will be able to show anomalies such as these even more easily. It seems likely that funding for schooling will continue to lack a nationally consistent approach. There will be a distinct lack of coherence in the way the two levels of government fund schooling, across states and territories and schooling sectors and in relation to student need.

We anticipate a continuing imbalance in the funding responsibilities of the Australian Government and state and territory governments. The current patchwork of different funding methodologies and models that have accrued over a long period of time seems destined to remain complex, confusing, opaque and inconsistent, obscuring educational goals and accountability.⁶¹

If there are some familiar words in the previous two paragraphs it is because they mostly come from the Gonski report. All we have done is change the past tense to future tense. When it comes to aspects of our federation it seems safe to just transfer yesterday's findings into tomorrow's predictions. As we know, Gonski had a solution, one which was quickly thrown into the too hard basket.

Our investment may remain poorly targeted

Combining public and private funding of schools, in our somewhat unique Australian way, continues to be problematic. We have identified groups of schools where the combined public and private investment yields a poor dividend in terms of student outcomes. There are certainly other schools where such an investment would make a considerable difference.

As if to justify such a high investment some argue that those levels of spending should be available to all schools, in the process enlarging the size of the pie – presumably as distinct from carving it up in more equitable ways. In recent years it has been proposed that, to generate additional funding for schools, higher income families with students in public schools should pay fees – in addition to their already higher taxes.⁶²

Notwithstanding various arguments about such a proposal, it risks further inflating costs across the school education sector even more than at present. One of the ongoing problems facing school and school systems managers is the endless and expensive resources competition, often conducted in the absence of lasting evidence of student gain. Much of this competition is led by well-resourced high-fee schools, although it has also been the case that some decisions with resource implications (for example about class sizes) have been led by public school systems.

Perhaps the most common rationale for spending more on some schools is that, at the advantaged end, the additional money comes from parents. Parents make a choice, so the argument goes, to spend their money in these ways and hence the value which may or may not be gained is a matter for them alone. But the reality is that the funds spent on students in higher-ICSEA schools come from both parents *and* governments. The current funding regime, quite unique to Australia, makes governments active and willing partners in arrangements which create, sustain and actually worsen a well-researched and documented inequity. In view of the demonstrated needs of students in disadvantaged schools, how and where should governments direct public funding?

These are difficult questions to discuss, let alone resolve. For that reason political and educational leaders alike are reluctant to even see them raised. But if nothing else, the effectiveness of our total investment should be a concern and the problem is far more evident at the advantaged school end. If the required investment, identified by Gonski for students at the other end can't come from additional funding, then existing public funding needs to be redirected to where it can make the greatest difference. We either make the investment needed to lift the disadvantaged or continue to top up the advantaged; it seems we can't do both.

Student achievement will continue to diverge

Last but most important is student achievement, something which the *My School* website itself has ensured remains front and centre, even if it is defined and expressed in relatively narrow ways.

There is no shortage of reporting of NAPLAN scores, in league tables, in state-by-state comparisons, against national benchmarks and in every locality. But recent years have seen a growing sophistication in the way student achievement is measured and presented. We have continued to use the capacity, created by *My School*, to examine changes taking place in schools with similar enrolments – especially in our groups of higher and lower SEA schools. Our findings certainly reflect other things happening to these two groups of schools. We have found that student achievement in high and low

SEA schools has diverged over six years. There is nothing in our findings to suggest that this divergence won't continue.

What has been apparent to us, as retired school principals, is that the reported decline in student achievement, as measured by international and Australian tests, has taken place at a time when our schools have undergone quite significant and related changes, including:

- far more differentiation of schools and competition between them;
- an increased focus on testing of student outcomes – and publishing the school results;
- significant changes in where students go to school, who goes with them and how they achieve; and
- increased and almost frenetic obsession with school reform, with mixed results at best.

It seems it is time for someone to join the dots and address some questions which are beyond the capacity of *My School* data to answer. There is always the need for evidence-based reform. What we don't need is time, energy and money wasted on things that don't make a sufficient difference.

The costs of failing to tackle inequity and disadvantage will mount

Along with projecting likely trends it is worth asking what the cost might be if we don't close the gaps – and what the benefits might be if we do?

The costs of failing to close the gaps on educational disadvantage, while not easy to quantify, are well known. Research suggests that young people who are not fully engaged in education or employment (or a combination of both) are at greater risk of unemployment, cycles of low pay, and employment insecurity in the longer-term. Participation in education and training, and engagement in employment, are considered important aspects of developing individual capability and building a socially inclusive society.⁶³

An OECD report released this year shows how poor performance at school has long-term consequences for both individuals and nations. In the words of OECD Director for Education and Skills, Andreas Schleicher:

‘when a large share of the population lacks basic skills, a country’s long-term economic growth is severely compromised. In fact, the economic output that is lost because of poor education policies and practices leaves many countries in what amounts to a permanent state of economic recession’.⁶⁴

Other reports suggest dollar costs. New Zealand students who leave school with no formal qualifications cost the government an average of NZ\$22,000 from age 16 to age 23. Most of this cost is for welfare benefits, but about one fifth is for corrections. The total cost is two to four times higher than for students who attain formal qualifications.⁶⁵

In April 2016 former World Bank economist Adam Rorris completed commissioned research which showed that, for Australia, the accumulated cost of such welfare benefits would amount to \$60 billion by 2070 – and would be accompanied by a \$12.2 billion loss in tax revenue. Along with others, Rorris found a widening achievement gap: children of the unemployed being ten times more likely to not meet minimum standards for literacy and numeracy as those children of senior professionals.⁶⁶

The evidence that the right investment can make a difference is overwhelming. The Gonski Review noted that returns to educational investments are higher in early, primary and secondary education, due to their effects on facilitating later learning and participation in the workforce. These returns are particularly high for children from disadvantaged backgrounds.

Recent reports have put numbers around the potential for gains. At the individual student level the Grattan report *Widening gaps: what NAPLAN tells us about student progress* cites evidence that completing Year 12 increases lifetime earnings by nearly 20 per cent compared to an early exit from school. At the national level Schleicher mentions that gains from ensuring that all 15-year-olds attain at least the PISA baseline level of performance would, for upper middle-income countries, average out to a 16% higher GDP over the next 80 years⁶⁷. In other words, he says, the gains from tackling low performance dwarf any conceivable cost of improvement.⁶⁸

Major long-term research by the US National Bureau of Economic Research has shown that:

‘a 10 percent increase in per-pupil spending each year for all twelve years of public school leads to 0.27 more completed years of education, 7.25 percent higher wages, and a 3.67 percentage-point reduction in the annual incidence of adult poverty; effects are much more pronounced for children from low-income families.’⁶⁹

Obviously the debate about the difference that money makes needs to move beyond the one-liners used to justify not extending Gonski funding. The aforementioned Grattan report urges that when we talk about money, we should learn to ask the questions that really matter, including:

- Is the existing level of funding being used strategically to address the biggest education priorities?
- Do schools get the support they need to help all students make good learning progress, regardless of their background or circumstances?
- Is existing funding being used to support evidence-based policies, with a clear and realistic plan to improve classroom practice?
- Where are we wasting money (i.e., spending money on things that have little impact on learning, or that cost far too much for the impact they have)?⁷⁰

But taken in combination the deliberations of the jury are over: we either invest now or pay more later.

CURRENT AND LIKELY FUTURE PRIORITIES

A key question is emerging: given that student achievement levels are at best drifting, can we really make a breakthrough without changing those features of our framework of schools that get in the way?

Even before *My School* appeared and Gonski reported there was mounting evidence showing we had a persistent school equity problem – strongly associated with mediocre levels of student achievement. But our school reforms either haven't recognised these deep-seated problems – or are based on some belief that schools alone might solve them.

Much of what is posed as school reform derives from the claims and promises of our competition and choice-oriented quasi market of schools. Many initiatives, including *My School* itself, have been announced with much fanfare and hyperbole about improving outcomes. Some, including performance pay for teachers, incentive (reward) funding and various curriculum culture wars have either sunk without much of a trace or lie dormant until the next opportune time for resurrection. Computers risk becoming seen as remnants of an education revolution that wasn't. And there is a list of even more, including corporatisation of schools, vouchers, charter schools, that are either under way, or waiting in the wings.

Criticism of such initiatives has mounted, especially over the last dozen years. Stephen Dinham compiled a telling list of unconfirmed or disproved beliefs which are driving school reform – and/or promoting changes, designed to suit vested interests.⁷¹ In common with other critics, Dinham points to the way in which Australia is importing unproven ideas, echoing flawed solutions from the UK and USA. He singles out a number

“
The desegregation of schools (based on social class) can in itself create the organic in-school conditions that will help drive improvements in overall student performance.
”

of recent or threatened developments including Independent public schools, the entry of charter schools and for-profit school corporations.

Such initiatives reveal a lack of understanding of the role of public education in our hybrid arrangement of schools – and a skewed belief about what education itself is:

‘... education is increasingly being seen more as a commodity to be purchased and a cost to taxpayers and governments rather than as an investment in the personal, social and economic prosperity of the nation. However public schools can’t operate as businesses when they have to take everyone and operate in all geographic and SES areas’.⁷²

As Dinham attests, the global measures being implemented in Australia are not addressing the real causes of the achievement gap. Rather than being addressed and rectified, disadvantage is being reinforced and inequity deepened, widened and entrenched. If these developments continue, the inevitable outcomes will include a continuing decline in educational performance.

Most of the reforms seem to have two things in common. By themselves they stand little chance of resolving the problems identified in this report – and a much better than even chance of worsening them. In common with others, Adam Rorris believes that solutions lie in addressing pedagogical factors related to the quality of teaching and school leadership, and providing additional resourcing to address the needs of disadvantaged students.⁷³ But he goes one essential step further:

‘A cost effective response to improving student performance is to reduce the number of schools with high concentrations of low SES. In other words, the desegregation of schools (based on social class) can in itself create the organic in-school conditions that will help drive improvements in overall student performance’.⁷⁴

As Dean Ashenden puts it, a big part of the problem is that we have the wrong system. We could surmise, he says, that reforms work well enough to stop us going backwards:

‘But shouldn’t segregation itself be front and centre, by reason of its role in generating unequal attainments as well as other educational and social consequences? Why shouldn’t any school or school system that wants to select some or all of its students be held just as responsible for the resulting social mix as it is for ‘outcomes’? Segregation should be seen not just as an explanation of the problem, but also as a big, direct, closely reported and well-documented target of policy’.⁷⁵

BOX 6: THE PRIVATE ADVANTAGE THAT ISN'T

Among the drivers of the school reform agenda, particularly in relation to autonomy and privatisation, are assumptions that private schooling produces better student outcomes. In the words of a previous Federal Education Minister:

'it's not about equity, it's about the outcomes of our poor students who aren't being given the right education in the first place...the greatest determinants of the outcome of students is the parental involvement in their children's lives at school...that's why in the non-government school systems students tend to perform better'.⁷⁶

Once again it is critical to use the ICSEA values on *My School* to create valid comparisons. When this is done it is very clear that the differences between the sectors in respect of NAPLAN scores are insignificant.⁷⁷ We have also compared the distribution of distinguished achievers in the NSW Higher School Certificate reached the same conclusion.⁷⁸ The reality is that students in non-government schools perform at around the same levels as similar students in government schools.

In general, reporting of school results in the media has become more cautious in recent years – and debate in the general community seems to be more nuanced. Not so, it seems, the claims of some politicians.

Searching for solutions

If the positive reception, across the school sectors, given to the Gonski Review's findings is a guide, most educators would agree with Dinham's critique and maybe even the appeals of Ashenden and Rorris to widen our concerns. But the recommendations arising out of various reports and critiques don't seem to go far enough in seeking solutions.

In a significant contribution, the aforementioned Grattan report *Widening gaps: What NAPLAN tells us about student progress*, reshaped the way we should see the gap between learners, focusing on how much progress students make, relative to expected years and months of improvement. Its recommendations include better targeting of intervention and improving teaching – but the report fell short of addressing school framework problems.⁷⁹

As mentioned earlier, the Mitchell Institute's report, *Educational opportunity in Australia 2015 – who succeeds and who misses out* identified the missed opportunities for young people at various stages of schooling – essential findings if we are to target interventions. It also noted that:

'The high levels of segregation of students in Australia, due in large part to residential segregation and the sector organisation of schools, tend to reinforce patterns of inequality and strengthen differences in school performance. This means that students from disadvantaged SES backgrounds tend to do worse because of the extent of segregation'.⁸⁰

The report's suggested policy options contained a brief reference to a need to address 'current selection and funding arrangements that work to intensify the effects of disadvantage' – but it didn't elaborate.

While making valuable contributions, both reports have invested considerable energy into deeper probes of the problem – and perhaps less in investigating all possible solutions.

Together with Ciannon Cazaly, Tom Bentley wrote a report, *The shared work of learning: Lifting educational achievement through collaboration*, for the Mitchell Institute in 2015. From the outset these authors place broader issues firmly on the agenda:

'... while the quality of teaching and learning has improved in many schools, it is not improving enough to counteract the effects of systemic inertia, fragmentation, and growing social and economic inequality. In too many systems, this results in entrenched inequality of educational outcomes and opportunities, which are further exacerbated by economic and spatial trends'.⁸¹

Social and economic inequality, they say, combined with growing competition between individual schools, overwhelm incremental gains in the quality of teaching and learning. The collaborative strategies described in *The shared work of learning* are significant – but are they likely to impact on the structural problems that contribute to social and economic inequality?

Connors and McMorrow went further, calling for fundamental reform of Australia's school system for the longer-term:

'In a stronger and healthier hybrid system for the future, the conditions and responsibilities that apply to public funding will need to be more consistent across all schools, with a closer link between public funding and educational goals and priorities in order to maximise student outcomes overall'.⁸²

Such reports represent a considerable range, from reshaping what we know about the problem and offering a limited range of solutions – to starting to come to grips with matters we have let slide, or hoped would go away. It is only if and when we deal with these matters that we can hope to design a preferred future, rather than one created out of the mistakes of the past.

SOME ELEMENTS OF A PREFERRED FUTURE

If there was a script for creating a preferred future the first act would be to start dismantling or at least modifying, the creations of the free-market in schooling, because it is not producing the high-quality, equitable school system Australia needs in the 21st century. The market didn't deliver excellence, and equity was never on its agenda. Despite repeated emphasis by governments on 'no losers', it created winners and losers

and was never going to pick up the schools that were disadvantaged. Schools were forced to compete on a number of fronts, including for limited resources and for the most sought-after teachers and students. Most were forced into this competition from well behind the starting line – and for them the track was uphill. As Glen Savage points out, in this competition low-performing and high-needs students become liabilities, while resources, including the most talented teachers, are marketised.⁸³ It was an experiment that failed.

Creating authentic choice in a narrow market

There is an additional long-term school problem, one which has worsened during our current era. Advocates for markets in education draw attention to the way they create choice and diversity – and point to schools with different programs, subjects, religions and more. But Savage reminds us that, rather than producing greater diversity and choice in education, markets actually produce greater similarity. Schools are encouraged to tailor education for their communities – but this is done in a context in which achievement is highly standardised and narrowly measured by NAPLAN scores or ATARs:

‘Schools find themselves “chasing the same pot of academic gold” rather than tailoring provision to diverse needs. Young people are sandwiched, therefore, into the same cookie-cutter model of excellence that schools must adopt to retain market competitiveness.’⁸⁴

In this process most schools prefer and seek those students who might best succeed in the culture of mainstream schooling. The diversity of schools becomes overstated. They might develop and promote some differences, for example around technology, school organisation, student welfare practices, elective choice and community links – but in most cases that is as far as it goes. Only at their peril will schools abandon the conventions imposed by measures of ‘success’ and the artifacts of perceived quality.

Hence in almost all secondary schools, for example, students learn – or don’t learn – in seemingly unrelated and remotely developed subjects in classrooms that change little over decades. They progress in a lock-step fashion and jump through qualification hoops, again remotely designed:

‘...the current system is failing so many of our students because it is impersonal and standardised, typically force-feeding them a dried diet of received information, in schools which are rooted to the industrial culture of mass production.’⁸⁵

When students who last the distance finally exit this process we rank them and the schools they attended, often confirming myths about quality and the features of their apparently successful schools.

11

In this competition low-performing and high-needs students become liabilities, while resources, including the most talented teachers, are marketised.

”

“
 ‘public funding arrangements need to reflect the nature of the educational challenges faced by a system or school given its characteristics and student population’
 ”

Critics point to the students who leave school too early, and also to the much larger group who endure school but don't become self-motivated and self-directed learners. Studies and reports are increasingly telling about high levels of student disengagement.⁸⁶ An alarming number of students just switch off, a problem that exists in all schools. Official statistics on attendance and retention understate the extent of the problem.⁸⁷

Despite our smorgasbord of choice very few schools dare to be different. The competition to cater for the mainstream reduces opportunities for students who don't learn best in the schools we have created. It is harder to find a suitable school which, to use the language of rejection, is prepared to 'cater for your special needs'. Schools designed around personalised learning, including Montessori (private) and Big Picture (mainly public), are few and far between.

In effect, marketisation has not only created winners and losers, it has disenfranchised the students who can't learn and thrive in the schools the market prefers. What is needed is substantially more support for schools that are inclusive in the way they cater for all learners. Gonski found that 'public funding arrangements need to reflect the nature of the educational challenges faced by a system or school given its characteristics and student population'. A funding mechanism should favour, with appropriate accountability and reporting, schools which support the learning styles of all their students.

Co-ordinating the funding of schools and revitalising Gonski

Any search for a preferred future would need to take into account what we didn't do in the past and what we face as a consequence. As we have demonstrated, the inconsistent funding between and within different sectors by two levels of government cannot adequately support whatever goals are set in place for Australia's schools.

The last two years have seen confused and often contradictory attempts to address vexed issues surrounding funding. In mid-2015 the Abbott Government's Green Paper on Federation Reform included a proposal for the Commonwealth to abandon funding for all schools or just public schools. It warned against the latter, something that was lost on current Prime Minister Turnbull when he floated the very same idea in March this year.⁸⁸

The tortuous post-Gonski funding road is full of contradictions. At the end of 2015 the Turnbull Government announced it would not proceed with the vital years of Gonski funding – then just four months later found an extra (but only marginally useful) \$1.2 billion for the 2016 budget. Initially the Coalition government wouldn't accompany its limited Gonski funding with many mandates on the states (no 'command and control') – but the extra \$1.2 billion now comes with strings attached.

It seems that the short-term business as usual approach continues. A solution could be found in jointly agreed funding mechanisms involving common approaches, by the

Commonwealth and states/territories to the allocation of funding to systems and schools. The most effective way to do this would be to establish an Independent expert body, the independence of such a body being essential to ensuring objectivity in its advice to governments. Such a body should form the core governance necessary to ensure that funding for schooling is provided in a way that maximises its educational impact. That's exactly what the Gonski Review recommended.

Our analysis in this report demonstrates the imperative to revitalise the Gonski Review as the major framework for reform, including the implementation of its recommendations in full. Specifically what the Gonski Review recommended was a National Schools Resourcing Body that would be responsible for:

- the ongoing development and maintenance of the SRS and loadings;
- the annual indexation and periodic review of the SRS and loadings based on the latest available data;
- ongoing research, analysis and data improvement to ensure continuous improvement within the schooling sector; and
- developing expected standards to which school buildings must be maintained and built.

The Gonski Review recommended that the body should be provided with a realistic operational budget funded by all governments to support the commissioning of research and data work as appropriate – and that members would be appointed to the body on the basis of merit and expertise, and be Independent of government. In the years since Gonski reported everyone has focused on the dollars which may or may not go to schools. But the Review has always been about much more, including the purpose of the funding and the structures needed to make it work.

Restoring the public in our education system

Along with most in the education community, we have remained committed to Gonski's sector-blind solutions to school resourcing. Given that many of our problems are *sector-based* it could be considered a generous position for public educators to adopt.

But there is a different type of sector-blindness, one that continues to underpin decisions made about our schools. This blindness comes from a misunderstanding of the real differences between schools and between sectors. It contributes to a misplaced belief that the playing field on which schools compete is level. It helps to explain why politicians pressure public schools to resemble private schools in their structure and organisation.

What they have failed to do, and have done so since the 1980s, is understand that public education isn't just another competing school sector. As we have said, the idea of public

education reflected, and still reflects, widespread acceptance that the benefits of schooling spread well beyond the gains for individuals: public education was driven and accompanied by ideas about citizenship in a democracy and the notion of the common good.

This doesn't mean that privately owned schools can't, under the right conditions, serve these same ends – but the manner of their creation and expansion in Australia ensures that they don't have to. By law it is only public schools that must be available to every child from every family in every location and circumstance. Alone in our new marketplace of schools they have been, and generally remain, free, compulsory and secular. In pushing these schools into the marketplace it seems that policymakers forgot these basic realities. Their own sector-blindness is about to see them fully fund non-government schools without increasing the obligations these schools have to the public that pays for them.

By law it is only public schools that must be available to every child from every family in every location and circumstance. Alone in our new marketplace of schools they have been, and generally remain, free, compulsory and secular.

That will have to change: even near full-funding will require a new relationship to be developed between public and private schools. In the process, and given their requirement to be universally accessible and inclusive, it is not possible for public schools to become something else – unless we are prepared to forego all the personal, community and national benefits we derive from such a system. Before we go down that pathway it might be useful to first check if it has worked anywhere else in the world. Given the irreplaceable purpose of public education – and in the light of the public funding of private schools – the stark reality is that it is the latter which now have to change.

But achieving the needed changes requires a concerted effort to understand and convey what public education is and does. A whole generation of key movers and shakers in government, business, media and other key institutions has little personal experience of public schools.

In *Building our nation through public education* Alan Reid argues that the publicness of education needs to be reinstated and prioritised. This requires a return to the foundational understandings upon which public education has been built. Rather than public schools being expected to be more private, private schools should be required to be more public in their actions and make-up, including such things as the level of the fees they can charge, the amounts they can pay staff, the rules they have to select and exclude students.⁸⁹

Matching funding and obligation

An essential task is to create, for all schools, a much stronger alignment between their level of public funding and the publicness of their obligations and operation. It is possible that the greatly increased public funding of non-government schools will revive demands that they be fully integrated into government systems, with all schools subject to the same obligations and rules. In the past this solution has been explored – especially in relation to Catholic schools – and dismissed as being too expensive for governments.

That barrier is certainly much lower now, but there are very good reasons why it still won't and shouldn't happen.

BOX 7: THE INTEGRATION OPTION

The creation of such an integrated system in Australia would be problematic. It is highly unlikely, for entirely different reasons, that public education bodies and private school authorities would entertain the idea. Secular schooling is a core of public education, even though it has been diminished in a number of ways. And it would be hard to believe that non-government schools would give up their capacity to discriminate, even if this is mainly carried on in passive ways through the charging of fees.

It sounds harsh but is quite true that private schools (and government selective schools) actually rely, for much of their publicised success, on their capacity to exclude and the lack of capacity of other schools to do the same. Notwithstanding their own quality as schools, they are sustained by taking the achievers and the aspirants from other schools.

But reducing such problems by integrating fully-funded private schools into public systems was never a perfect solution in places where it happened. Integration might have slowed, but certainly has not stopped, the social separation between school communities in England. Subsequent meddling has created new school hierarchies. It is also clear that even in integrated systems the rules can be bent, as evidenced by the re-emergence of what amounts to school fees in New Zealand Catholic schools.

So where to from here? As recent trends become more widely known it is hard to imagine that public school communities will willingly accept that a competing private school, not too far away, should be better funded than they are from the public purse. They know that the other school is better funded in total, the difference being created by fees. But they also know that the other school has a more advantaged set of rules, accountabilities and obligations. They won't accept a situation in which some players get, in the terms of that well-known quiz, both the money and the box. In funding terms they are becoming government schools, but in their obligations and operation they are not currently required to be 'public'.

The second choice is to shift the management and operation of public schools closer to that of the non-government sector. Many elements of such a convergence are in place, including in curriculum, assessment, reporting and teacher qualifications. The management gap is also closing as enrolment zoning is loosened and public schools increasingly specialise, choose their own staff – and choose more of their own enrolments. Various other suggestions include introduction of mandatory fees (for some families) and conversion of public schools to charter schools. For some reason these seem to be solutions just for public schools. As Ashenden has asked, if charters are such a good idea why are they not proposed for private schools?⁹⁰

Autonomy for public schools will always be limited by their obligation to provide access and comparable opportunities to every child in every location. No other schools are prepared to serve, to anything like the same extent, disadvantaged communities and people without the capacity to choose. The other problem is that giving all schools an unregulated access to both public and private funding risks the better placed public schools simply becoming part of the wasteful resources 'arms race' witnessed between high-fee schools.

The third choice is to wind back the extent of government support to private schools to the levels which prevailed over a decade ago – and leave those schools free to continue with a more limited range of accountabilities and obligations. This solution has a compelling logic – one which applies in many other countries – but obviously would require a level of political leadership and courage that seems less evident in recent times. Any bipartisanship commitments to the Gonski Review's recommendations didn't last long, and regrettably the reforms proposed by the Review are now subject to the brutality of our current federal politics.

The fourth choice is to pay closer attention to how government and non-government schools could operate – and co-operate – in a sustainable way. In its submission to the Gonski Review the NSW Secondary Principals' Council raised the idea of a public charter to accompany public funding. The purpose of such a charter (itself a dirty word in some contexts) would be to express the public purpose of government in providing public funding for education in operational terms. It would include specific reference to matters such as:

Public obligation: In accepting public funding, a school would agree to act as an agent for the government in terms of delivering its public purpose in education and agree to operate the school in a manner consistent with legislation and regulations applying to government schools within the jurisdiction. This would include provisions related to such areas as:

- Enrolment policies and practices;
- Curriculum delivery and assessment;
- Annual reporting;
- Employment practices;
- Freedom of Information;
- Child protection, discrimination and other social legislation;
- School uniforms;
- Discipline procedures, including suspension and expulsion; and
- Complaints procedures.

Fees: Where a school provides particular resources or services above and beyond those related to the public purpose, the school may charge fees for the provision of those resources or services, however the imposition and level of fees will have the effect of reducing the school's entitlement to public funding.

Right of Access: While non-government schools in receipt of public funding may declare and provide education within a particular faith or ethos for their client community, they should not unreasonably restrict the access to the school of any child, through fees or other administrative mechanisms or to those parts of their educational program provided from public funds.

Aspects of such a charter have already become part of practice in non-government schools, but there is considerable scope and urgency – in the light of funding increases – to do much more. Left untouched, the relationship between public and private schools will become even more bizarre.

There are big advantages in creating a better relationship between schools around a charter of public obligations. It wouldn't be a comfortable journey and it would raise a host of questions we have avoided for decades. If conditions attached to public funding are on any agenda then the question of funding from school fees and other private sources has to be there as well. What should be the role and scale of public funding when some schools are funded, from all sources, at twice the level of others? And more fundamentally, what is the role and purpose of government in funding schools and how is this best achieved?

The fact that much school funding comes from private sources, including parents, does not deflect such questions. As we pointed out in Section 2, the current funding regime, quite unique to Australia, makes governments active and willing partners in arrangements that worsen equity. It is reasonable to argue that public funding should be conditional on an appropriate ceiling being placed on combined funding from all sources, if only to ensure that our total investment in schools goes to where it provides the best returns.

CONCLUSIONS AND RECOMMENDATIONS

WHAT DO WE NEED TO DO?

In order to turn things around for our schools in the near future, what do we really need to do?

Let's start with the obvious: we need to base our major policy decisions on the best available evidence regarding how we provide, resource and regulate schools, premised on a nuanced understanding of the state of the present system and the issues inherent within it. Based on the analysis we have undertaken in this report, we present a suite of broad policy positions to be considered:

1. **Revitalise Gonski:** Policymakers need to revisit the Gonski Review findings and establish the mechanisms recommended by the Review. This includes committing to the introduction of a National Schools Resourcing Body to drive the implementation of a Schools Resourcing Standard. This is the best way to deliver agreed educational outcomes.
2. **Level the playing field for students and schools:** This recommendation is in two parts:
 - In the first instance, federal and state governments should commit to the full funding of *all* the Gonski recommendations as a high priority, with the objective of improving the equity and overall effectiveness of the funding mix across all schools; or
 - If additional government funding is not forthcoming, governments should rebalance the present schools funding mix with additional investment in schools with greatest need regardless of sector. This rebalancing should include:
 - a review of those schools where funding levels are much greater than in schools enrolling similar students; and
 - with appropriate notice, a hold on the growth of public funding to non-government schools, pending a review of how this funding is distributed and what responsibilities and obligations on the part of all schools should accompany public funding.
3. **Restore the local school:** We must maximise the opportunities for all children to enrol in their most accessible school. Australians clearly prefer to have quality local public schools. Leaving local schools is, and should be, their least preferred option. As much as possible this means locally catering for children from all backgrounds, with all learning styles, with disabilities, special gifts, talents and interests. The

effort made by schools to do this, and in the process to engage children in learning authentically, should be annually reported on *My School*.

4. **Reduce the impact of disadvantage on student outcomes:** We need to address the clear relationship between aggregated social disadvantage and poor educational outcomes, partly created by the separation of students with SEA. Incentives available to certain schools to aggregate advantage must be reduced progressively and the capacity of low SEA schools to offer education to all families in a community must be increased. These proposals should support school-focused strategies already being delivered in states and territories that strive to meet these ends.

DELIVERING A BETTER ERA OF GONSKI-DRIVEN EDUCATION

For over three decades Australian schools have witnessed a mixture of efforts, from the ordinary to the heroic, to improve student outcomes. There has been a parade of ideas to improve teacher training, curriculum, classroom teaching, school leadership and just about everything else schools do – to the point where some teachers and school leaders say that we have reached reform saturation. Regardless, we need to pursue reform based on the best evidence available.

This report argues that major barriers to improvement include the way we provide and resource schools. Even on a generous interpretation of the indices of success, what we are doing inside schools is having a limited impact overall. There is ample research into the effectiveness of well-targeted policies and practices that have been implemented over the years. Yet our overall levels of achievement are at best flat-lining and the gaps between high and low advantaged schools are increasing. Efforts to improve student opportunities and achievement must be the priority as we start to address the systemic barriers we have built. Until we reverse many of the measurable trends identified in this report, unless we fix the fundamental flaws in our framework of schools and especially our almost riveted-on inequity, our chances of making the other improvements we need will be limited and in some cases zero.

In the search for something better we remain committed to the Gonski Review solutions, but things are deteriorating to the point where Gonski may no longer be sufficient on its own. We need to address the things which were off-limits to Gonski, including the level of the school playing field, the mechanics of school choice and, if necessary, the redistribution of funding within the school education sector.

In our diagnosis, we have referred to the current system as unsustainable. In addition to our analysis the sustainability issue also stems from a suite of contradictory policies and practices, some of which aim to improve equity whilst others only widen the present gaps. For instance while in broad terms the distribution of public funding of schools has been to support, albeit inadequately, those with the greatest need, the distribution of funding from all sources strongly favours those with the greatest advantage. While most

people like the idea of school choice, as it plays out in Australia it provides a possible boost for some families but imposes deficits for others.

Additionally, the framework as a whole creates obstacles preventing possible policy breakthroughs. For example if we 'parachute' the best teachers into disadvantaged schools whilst the higher achievers are leaving and going elsewhere, the net impact of such a policy suffers. We also pay a lot of lip service to diversity in schools when in reality we see a narrowing of mainstream difference.

We want competition to improve our schools, but it does little more than send school principals in pursuit of those students who will lift test scores. We need to direct our funding to those schools where the extra investment will make a difference, instead we overspend on places where it doesn't. In the interests of efficiency we need to plan our provision of schools, but the marketplace creates chaos, with school enrolments rising and falling in ways hard to predict.

The Gonski Review recommendations would have helped resolve many of these contradictions. But we didn't 'get Gonski', certainly not in the way recommended by the Gonski Panel. The combined dead weight of a timid Labor Government and a disinterested Coalition Government made its recommendations an easy target for those who thought they might lose from a sector-blind solution. The evidence since then about our schools, available from *My School*, suggests that we should have stood by what the review found and recommended. We now need more than the Gonski recommendations. Sector-blind solutions are still possible, but we now have to resolve a lot more sector-based problems.

As a consequence – and as part result of the new evidence about our schools – we may find ourselves entering a very unsettling time in which poor decisions made in the past are revisited to create something more sustainable in the future. If this happens it won't be a gentle process: public educators will revisit and strongly advocate the very reason for their system's existence. In the absence of a greater investment in schooling they will, along with others, push for a redistribution of available resources. Advocates for private education in its unique Australian form won't want to give up what they have gained. Gonski-proposed sector-blind solutions provided a way forward; continuing the status quo risks a revival of the sector wars.

Australian's sense of country is built around a creed of egalitarianism and 'fair-go'. Our approach and attitudes to education act as bellwether for the broader state of the nation and demonstrate much about how we live our creed. If we fail to act to improve our system, to level the playing field, to address a hierarchy of advantage and disadvantage, to offer an empowering path for all children, we take away the virtues of schools-based education, and the nation is poorer as a result.

APPENDIX 1: We did it our way: managing non-government schools in the education framework

In the mid 1950s the visiting American educator Freeman Butts predicted that non-government schools would increase claims for state aid and thus weaken government schools – strengthening class, religious and social distinctions in Australian society.⁹¹ A remarkable insight from so long ago.

Australia was not the only country faced with pressure to fund private schools. It is useful to consider what some other countries did when faced with similar pressures. Rather than just hand over public funds, most countries demanded something in return. The common pattern has been for the church schools to become part of the state system of education, leaving a completely private school sector, typically with around five per cent of enrolments.

After protracted negotiations New Zealand's Catholic schools became part of the state system in 1975. They were required to assume the same obligations and accountabilities of state schools and, even more significant, were no longer permitted to charge fees. Church schools in England and Wales also faced financial difficulties and were generally integrated into an expanded state system in 1944. Most commonly the school systems which operated when Canada became a nation were funded as part of the public system in each province. In the Netherlands, church schools have almost always been part of the state's provision, serving the need to maintain a balance of faiths and community groups.

In these and other countries there was a much greater awareness of the implications of funding private schools which were operating alongside state-provided schools. There were frequent debates, for example in New Zealand, and active consideration of equity issues and the relationships between schools. Regulations were established to ensure that the fully-funded former private schools didn't have advantages denied to public schools. None of this suggests that integration was, or is, a solution for Australia, simply that issues of equity and sustainability for the long-term were on the agenda almost everywhere but here.

In contrast, all that happened in Australia were some attempts to shut the stable door after the horse had bolted. As Connors and McMorrow relate, a wake-up call came from the Karmel Report in 1973. It advised there was:

'... a point beyond which it is not possible to consider policies relating to the private sector without taking into account their possible effects on the public sector whose strength and representativeness should not be diluted'.⁹²

There were attempts to restrict or moderate the funding of non-government schools, especially those that were well-endowed. The Whitlam Government attempted, without success, to exclude high fee schools. The Hawke Government's Education Resources Index (ERI), which included all sources of private income in the assessment of non-government schools subsidy level, was a measure of the actual resources available

to students in their schools. This measure was abolished by the Howard Government in favour of a measure based on parents' socio-economic status as a surrogate for their capacity to pay fees.

Amidst all this, almost no attention was ever given to levelling the playing field on which schools operate. Public schools were considered as yet another sector that had to compete. Forgotten were the reasons why public schools were established in the first place and their obligation, theirs alone, to be available to everyone, everywhere and under every circumstance. It was the perfect script to create a tiered education system.

APPENDIX 2: Key Gonski findings

Whilst this report endorses the findings of the Gonski Review in full, for the purposes of our analysis, presented below as further information are the ones we identified as particularly important and relevant:

Finding 1: Australian schooling needs to lift the performance of students at all levels of achievement, particularly the lowest performers. Australia must also improve its international standing by arresting the decline that has been witnessed over the past decade. For Australian students to take their rightful place in a globalised world, socially, culturally and economically, they will need to have levels of education that equip them for this opportunity and challenge.

Finding 2: The challenge for the review is to design a funding model that adequately reflects the different needs of students to enable resources to be directed to where they are needed most. All Australian students should be allowed to achieve their very best regardless of their background or circumstances.

Finding 6: Australia lacks a logical, consistent and publicly transparent approach to funding schooling.

Finding 7: There is an imbalance in the provision of funding to government and non-government schools by the Australian and state and territory governments. In particular, the Australian Government could play a greater role in supporting state and territory governments to meet the needs of disadvantaged students in both government and non-government schools.

Finding 9: The Average Government School Recurrent Costs measure lacks a convincing educational rationale. Meeting Australia's educational challenges requires a funding benchmark that is linked to educational outcomes and is able to respond to changes over time in performance and the delivery of schooling.

Finding 10: Public funding arrangements need to reflect the nature of the educational challenges faced by a system or school given its characteristics and student population, regardless of whether it is in the government or non-government sector.

Finding 11: Within the new funding framework there needs to be an explicit difference between setting a standard for the resourcing of schooling and indexation for changes in the costs related to the delivery of that standard.

Finding 17: New funding arrangements for schooling should aim to ensure that:

- differences in educational outcomes are not the result of differences in wealth, income, power or possessions
- all students have access to a high standard of education regardless of their background or circumstances.

Finding 19: The key dimensions of disadvantage that are having a significant impact on educational performance in Australia are socio-economic status, Indigeneity, English language proficiency, disability and school remoteness.

Finding 21: Increased concentration of disadvantaged students in certain schools is having a significant impact on educational outcomes, particularly, but not only, in the government sector. Concentrations of students from low socio-economic backgrounds and Indigenous students have the most significant impact on educational outcomes.

APPENDIX 3: The misuse of User Cost of Capital in funding comparisons

Often when various commentators are discussing the funding provided to government versus non-government schools, they are comparing apples with oranges.

From 1999-2000 national reporting on expenditure on public schools has included a notional cost of funds tied up in school buildings and other capital works, defined as *User Cost of Capital* (UCC). The principle behind the inclusion of UCC in government expenditure is that it takes into account the 'opportunity cost' of using the funds to provide schooling services rather than investing in other areas or in retiring debt.⁹³

The inclusion of UCC data in national reporting on schooling resources, however, is contestable. The idea that governments can realise their investment in school buildings and land in time for alternative uses is in most cases hypothetical. Amongst other problems is the fact that different conventions are now used in national reporting of public and private expenditures in non-government schools. For example, some commentators compare reported expenditures in government schools that *include* UCC with funding of non-government schools based on cash accounting processes that *exclude* UCC.⁹⁴

The outcome of this basic mathematical error is that the reported funding of government schools overstates the reported expenditure on government schools by almost \$5 billion, or 15%, compared with the comparable funding of non-government schools.⁹⁵ When other accrual accounting items are taken into account, the total reported spending on government schools is around \$8 billion, or more than 20% higher than the cash accounting amounts that would logically be used for any comparisons with government grants for non-government schools.

Funding comparisons over time and between sectors have to take into account the implications of the different accounting conventions used in national reports. Typically the numbers reported by the Productivity Commission are cited, yet statistical advice and warnings included in the Productivity Commission and the National Reports on Schooling are more often than not overlooked by commentators and analysts in their search for a preferred rationale.

The distinction in how funding arrangements are reported is important, as the absence of a like-for-like comparison confounds the national public debate.

APPENDIX 4: How can the government funding numbers be so different?

Whenever we cite claims that the government funding of non-government schools is approaching the same level of government funding of similar government schools, we are accused of 'cherry-picking' the data. This is usually followed by the recitation of national average figures which appear to show that government schools receive almost twice as much government funding.

There are two kinds of problem here. The first is that the refutation is usually based on data from the Productivity Commission which has its own methodology for calculating these averages (see Appendix 3). Their figures include book-entry (UCC and depreciation) and other items (payroll tax and school transport) for government schools, which are not added to the non-government numbers. While such entries satisfy accountants, they have no meaning on the ground in schools. UCC or depreciation costs do not provide dollars for use in the day-to-day costs of teaching and learning. In contrast, the figures that we cite are derived from the reporting by schools on the *My School* website of the *actual dollars* that the schools spent in each reporting year.

The other kind of problem derives from the use of national averages. Anyone with any familiarity with statistics will know that averages can hide and obfuscate more than they reveal and this is nowhere more evident than in school funding comparisons across the sectors. When we hear a statement such as:

'Government schools received around \$12,085 dollars per student from government sources in 2014, while non-government schools only received \$9,262 per student'

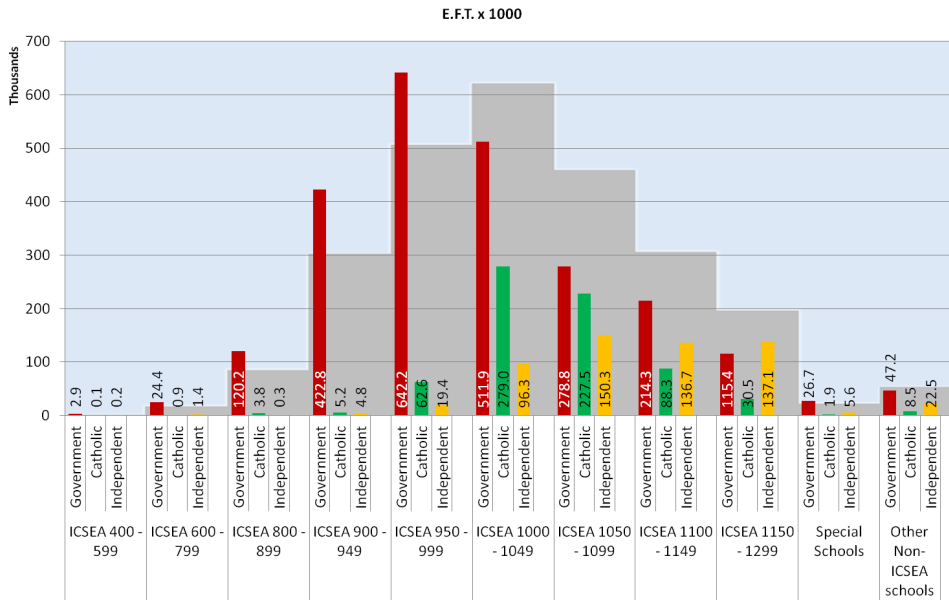
we are conditioned to assume that the receiving 'student' in each case is similar, or at least comparable, in terms of their education needs. That is the only basis on which a comparison of the numbers themselves would have any meaning, but that is nowhere near true where the clientele of the three major school sectors are concerned. That is why we categorise the school population into ICSEA ranges before making comparisons, to ensure that there is at least some comparability of student need *before* we cite dollar figures.

Figure 22(A) shows how students are distributed across a range of ICSEA groupings and how many are enrolled in each sector. It is similar to Figure 8 on page 35 but with more detail.

For completeness, at the right-hand edge there are two non-numerical groups: 'Special Schools', for which an ICSEA is not published, and all of the other schools with an unpublished ICSEA. It's easy to see that the 'average' government school student is likely to attend a school around 1000 ICSEA while the 'average' Catholic student will probably be in a school around 1050 ICSEA. The 'average' Independent school student is likely to be in a school close to 1100 ICSEA.

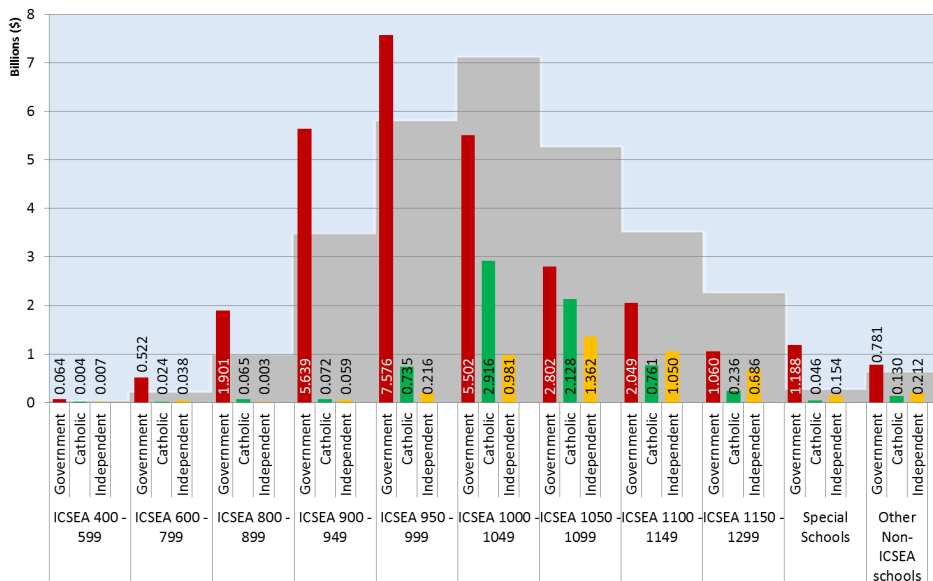
In addition, the vast majority of students attending special schools are in the government sector as are the vast majority of Indigenous and remote-area students. Both of these groups require and attract higher levels of government funding.

Figure 22(A): Where the student numbers fall by sector and school ICSEA range (2014). The grey area in the background illustrates the relative totals of students in each range (not to scale)



It is clearly the case that the bulk of students from the lower SEA end of the ICSEA range are in government schools. Students from the advantaged side of the ICSEA range are more evenly spread across the sectors. Hence statements about the relative levels of funding need to reflect the measurably different needs of students in each sector.

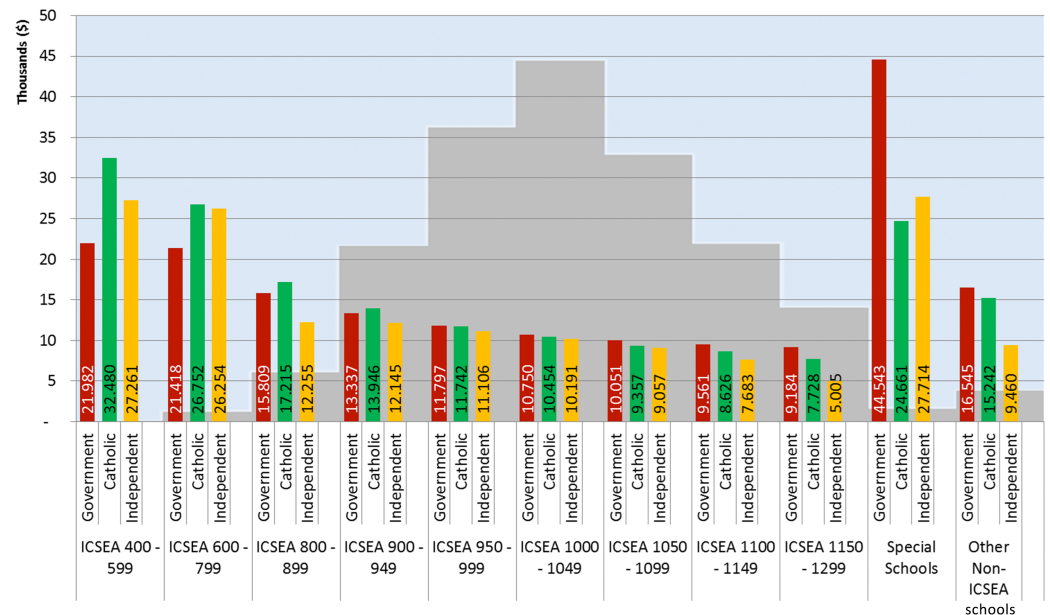
Figure 23(A): Where the government funding dollars are spent by sector and school ICSEA range (2014). The grey area in the background illustrates the relative totals of students in each range (not to scale)



Let's see where government funding mainly goes. Figure 23(A) shows where the government dollars are expended across the same categories. Clearly a large proportion of government expenditure on schooling happens in government schools in those parts of the ICSEA range where non-government schools are barely represented; as well as in the Special schools and the 'Other' schools, many of which are in remote and regional areas.

Given the uneven spread of both enrolments and dollars across the ICSEA ranges it makes sense to track and express the government funding of schools, not as an average for each sector but as funding per student for each sector in each ICSEA range.

Figure 24(A): Government funding per student across the school ICSEA range (2014). The grey area in the background illustrates the relative totals of students in each range (not to scale)



This per-student government sourced funding is shown, in thousands of dollars, in Figure 24(A). Below 800 ICSEA, despite their small representation (or perhaps because of it) non-government school students attract considerably more government funding than government school students. In the Catholic schools, this situation persists through the 950-999 range and is almost the same in the 1000-1049 range. It is only in the 1050 range and above that government funding of Catholic schools falls noticeably below that of government schools.

ENDNOTES

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