AUSTRALIAN CAPITAL TERRITORY

SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION'S POSITION PAPER 2008/16: *SCHOOLS EDUCATION*

February 2009

VIEWS ON THE COMMISSION'S ASSESSMENT PROPOSALS

INTRODUCTION

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past five years. As part of this process, the ACT has provided a number of submissions in response to Staff and Commission Discussion Papers and refined based on multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position regarding the validity of the conceptual case underpinning the assessments and the proposed assessment methods.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity, the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this context, a lack of objection (silence) does not imply support where such support has not been previously stated, and instances where comment has been made on refining a methodology does not necessarily imply support for the broader method itself unless otherwise stated.

CHIOICE OF BROAD INDICATOR

Enrolments versus population

The ACT notes that the Commonwealth Grants Commission (Commission) does not consider enrolments to be a policy neutral measure of school use as they are influenced by differences in State education policies. As such, it is proposed that population will be used as the broad indicator.

Crucially for the ACT, the Commission has agreed to review the extent of policy influences affecting non-compulsory participation and will make intensity of use adjustments to reflect the ACT's (and other States') circumstances.

It is noted that if the consultancy being undertaken by Stephen Lamb recommends that policy driven differences in States' post-compulsory participation rates are minor, there would be grounds for using actual enrolments as this would significantly simplify the assessment.

Broad Indicator and the 18 year old population

The Commission proposes using population aged 5 to 17 as the broad indicator.

The ACT considers that the most appropriate approach is one that captures students aged 18 years given that States are required to fund and provide these students with a place in school. It is observed that, in the ACT's case, the Territory has a higher

proportion of 18 year olds in school as well as in the estimated resident population (ERP).

The Commission's submission (CGC 2008/16) noted that the inclusion of 18 year olds in the user population was material for the ACT. However, it has now come to light, following discussions with the Commission, that the ACT's 18 year old population is significantly greater per capita than the national average, most likely due to enrolments within the ACT based tertiary institutions. As such this renders the actual 18 year old population as unfit for this particular purpose.

In 2006, 18 year old government school enrolments in the ACT were 820 compared to 22,972 18 year old government school students attending school in Australia. [1] This proportion at 3.6% (which includes cross-border enrolments), is more than double the ACT's share of the Australian MRP of 1.6%. This is a direct consequence of the factors influencing the high retention rates evident in the ACT. The ACT notes that this higher representation of 18 year olds in actual enrolments data would not be adequately addressed by the inclusion of 18 year olds in the user population, even if the data were adjusted to make it fit for purpose.

As demonstrated in previous submissions, the use of a broad indicator population rather than actual enrolments, results in a more complex assessment than is required to achieve fiscal equalisation. Unlike enrolments, the population measure does not capture factors such as different rates of participation (particularly for post-compulsory students), or cross border influences and hence, there is a need to introduce a range of disability adjustments to the assessment.

It is noted that the 2010 Review, in the context of a 'clean slate' approach, has not to date established that the variation in States' post-compulsory enrolments are materially influenced by State policy decisions. However, the consultancy being undertaken by Stephen Lamb of behalf of the Commission is expected to provide an updated recommendation on the extent to which policy influences affect post-compulsory enrolments. If the policy influences are considered to be minor, the use of actual enrolments, rather than a broad measure of user population, could be used as the basis of the assessment. This would significantly simplify the assessment.

Excluding Preschool students

The ACT is comfortable with excluding preschool students given that the impact is not material.

DIFFERENCES IN THE USE OF SERVICES

Indigeneity

[1] ACT government enrolments as per 2007 Update data return – school students aged 18 as at August 2006 and total government enrolments for 2006 as contained in the Commission's 'Factor calculations for School Position Paper' released to the States

The ACT supports the decision to assess Indigenous use rates in schools education because it has a material impact.

The ACT did not comment on this matter earlier as it was noted that the Commission proposed to adopt the same approach to Indigenous use rates for the schools education and VET categories. [2]

There is a range of evidence that supports the Commission's view that Indigenous people use school services at lower than average rates, but VET services at higher than average rates because some Indigenous children are receiving their schooling in VET institutions.

For example, The Australian Senate Report *Katu Kalpa - Report on the inquiry into the effectiveness of education and training programs for Indigenous Australians* notes that Indigenous students are more likely to undertake the more basic courses in VET.

The Report notes that the type of study undertaken by Indigenous VET students was significantly different to that undertaken by non-Indigenous VET students, with the former being in the more basic, preparatory type courses:

> *"Indigenous students were over-represented in TAFE multi-field education, and in arts, humanities and social science subjects. TAFE multi-field education consists mostly of courses providing a general secondary education, basic functional skills in specific areas, or technical skills across a number of fields of study. In terms of the stream of study, Indigenous students were more than twice as likely to be enrolled at the preparatory level but only half as likely to be enrolled at the para-professional or professional level.* [3]

The Report also highlights that Indigenous students were less likely to enrol in a Diploma or Associate Diploma level program and although they were more likely to be enrolled in a course leading to a qualification under the Australian Qualifications Framework (AQF), they tended to be concentrated in the lower AQF levels. [4]

A submission from the Australian Education Union to the Australian Senate noted that VET pathways for Indigenous students were mainly non-vocational, with two thirds completing catch-up or pre-vocational programmes. [5]

According to the *Indigenous people in vocational education and training - A statistical review of progress* report, Indigenous students generally study for lower-level qualifications in VET. The percentage of VET students in 2001enrolled in:

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[2] Staff Discussion Paper *CGC 2007/10 Post secondary education*, paragraph 32, page 9.

[3] *Katu Kalpa - Report on the inquiry into the effectiveness of education and training programs for Indigenous Australians*, Chapter 7, paragraph 7.6 (See: www.aph.gov.au/Senate/Committee/EET_CTTE/completed_inquiries/1999-02/indiged/report/c07.doc).

[4] *Ibid*, paragraph 7.7.

[5] *Ibid*, paragraph 7.11.

- AQF certificate I & II and senior secondary courses was 44.7% for Indigenous students compared to 24.0% for non-Indigenous students; and
- AQF Certificate III and above courses was 33.6% for Indigenous students compared to 44.0% for non-Indigenous students. [6]

The ACT supports the Commission's position of recognising Indigenous students' relatively lower participation in schools education (compared to non-Indigenous students) and their relatively higher participation in VET.

Post-compulsory adjustment

Introduction

For the 2010 Review, no party has adequately supported the assertion that post-compulsory enrolments are materially influenced by State policy decisions. The ACT has rebutted these so called policy influences in its August 2007 submission.

Despite preferring the use of actual enrolments in the assessment, the proposal to assess the intensity of use of students aged 15 and above is supported as the impact is material. It is pleasing that the Commission has engaged a consultant to develop a regression model for the 2010 Review to review the post-compulsory regression analysis and the calculation of policy influenced versus non-policy influenced enrolments.
A wealth of evidence clearly points to the fact that differences in States' post-compulsory enrolments are predominantly driven by non-policy influences, and is much higher than the 2004 Review assessed figure of 67% of States' actual post-compulsory participation rates being non-policy influenced.

Based on the latest available evidence, and given the changing circumstances since the 2004 Review, also outlined by the ACT in its previous submissions to the 2010 Review, it is considered that policy influences are minimal. Some of these changes include, for example, the States' adoption of legislating increased leaving age including 'learning or earning' policies (which partly responds to the Australian Government's policies aimed at encouraging greater retention); and the Australian Government's commitment to developing a national curriculum by 2010.

It is encouraging that now 5 out of 8 States (NSW, Victoria, Qld, ACT and NT) have clearly stated that policy influences do not significantly affect post-compulsory enrolment numbers. [7] Interestingly, Queensland and the NT said adjustments for differences in post-compulsory participation rates would not be necessary, presumably under an assessment that was based on enrolments, given that participation driven policy influences are being reduced by common structures, curriculum and assessments arrangements.

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[6] Indigenous people in vocational education and training - A statistical review of progress, John Saunders, Michael Jones, Kaye Bowman, Phil Loveder, Louise Brooks, National Centre for Vocational Education Research (NCVER), 2003, page 9.
[7] Commonwealth Grants Commission 2010 Review Position Paper CGC 2008/16 *Schools Education*, paragraph 31, page 7.

If other States consider that substantial policy influences exist for post-compulsory education, then evidentiary standards require them to bring forward independent analyses conducted by experts that demonstrates these policy drivers and the extent to which they affect participation. The ACT has brought forward substantial expert evidence for the opposing case.

To date we have not seen other States provide this information, so the case at this point in time supports minimal policy influences driving differences in post-compulsory participation rates.

Non-policy drivers are highly significant, and in the case of the ACT (and to a lesser extent Victoria) major socio-demographic composition (SDC) differences are a major determinant of varying post-compulsory education participation rates across the States that affect service delivery costs.

Major non-policy drivers include:

- high socio-economic status (positive impact);
- sectoral enrolments (higher proportion of school students in the private sector have a positive impact);
- remoteness / population dispersion (negative impact);
- Indigenous population (negative impact);
- high parental expectations (positive impact);
- parents with a higher education background (parents with a post secondary education have a positive impact); and
- occupation/industry structure (higher skilled occupations such as professional, managerial, clerical and skilled, rather than semi-unskilled or unskilled occupations have a positive impact).

A corollary of being a city-State is that the ACT's relative SDC (SES) is relatively high, particularly due to the absence of a rural sector. The ACT loses approximately $145m ($450 p.c.) from the SDC assessments across all categories as high SES is deemed to be a relative advantage as it reduces the demand for and unit cost of service provision for some services.

However, it is clear that in the case of post-compulsory schools education, high SES contributes to the demand for, and cost of service provision and this needs to be symmetrically acknowledged by the Commission. The evidentiary standards for establishing links between SDC and the demand for and cost of service provision, should be applied with equal rigour regardless of whether the argument relates to low SES or high SES.

In this context for the 2010 Review, the intensity of use calculations should reflect the fact that a much smaller proportion of the differences in State participation for the post-compulsory years are policy influenced. This matter is particularly important for the ACT and Victoria given the substantial differences between the broad indicator and actual enrolments that exists totalling $185 pc and $30 pc respectively.

Extent of policy / non-policy influences

In the context of a convergence in State policy and additional definitive research undertaken by expert bodies, the current model significantly underestimates the non-policy component, which is at least 85% to 95%. This figure is premised on the report: *Factors affecting state and territory differences in student retention in Australia* undertaken by Stephen Lamb, which states that:

> *"Regression (OLS) analysis was used to estimate the level of variation associated with a range of policy and non-policy factors. The results suggested that non-policy influences — such as SES composition, ethnicity, size of Indigenous population, population dispersion and school sector enrolments — accounted for over 85% of differences between jurisdictions in attainment rates* .[8]

If other factors such as industry/occupation and parental expectations were also included in the regression, non-policy influences would explain around 95% of differences between jurisdictions in attainment rates.

However, the very different circumstances of the ACT relative to the other States, such as SDC, social and economic factors, more than fully accounts for its above average participation rates.

The recent report *Staying on at school: Improving student retention in Australia* undertaken for Queensland, authored by Lamb, Walstab, Teese and others, indicates that the main differences in participation are driven by non-policy factors.

These factors account **fully** for the higher participation rate in the ACT compared to other jurisdictions.

The *Queensland Staying at School Report* highlights that when the non-policy influences of **SES, remoteness, Indigenous population and sectoral enrolments** are taken into account, the ACT's above Australian average retention (13.0 pp above average) falls to just 3.1 pp above average. That is, **these factors explain 76% of the above average retention in the ACT** (see following table).

When other factors such as part-time students and cross-border students are accounted for, they explain another 7.0pp of the ACT's above average retention. **In total, more than the entire above average retention can be explained by SDC adjustments.**

If parental expectations and occupation/industry structure are added, which are not taken into account in the Queensland Report, this would explain even more of the retention difference between the ACT and Australia.

If the so called policy influences were adjusted for, this still results in non-policy SDC factors accounting for all of the difference between the ACT's and Australia's retention rate.

[8] Factors affecting state and territory differences in student retention in Australia, Stephen Lamb, page 5.

PROPORTION OF THE ACT's ABOVE AVERAGE RETENTION RATES EXPLAINED BY SOCIO-DEMOGRAPHICS (AND OTHER ADJUSTMENTS)

Aust Avg 2002 Retention rate	75.1%
ACT 2002 Retention rate	88.1%
Total Variation (above Australian average)	**13.0 pp**
Proportion of the 13.0 pp explained by socio-demographics:	
SES	-8.8 pp
Revised ACT Retention Rate (88.1% - 8.8%)	*79.3%*
Population density and remoteness	-0.9 pp
Revised ACT Retention Rate	*78.4*
Indigeneity	0 pp
Revised ACT Retention Rate	*78.4*
Sectoral enrolments (non-government schools impact)	-0.2pp
Revised ACT Retention Rate	78.2
Sub-total Explained (A)	**9.9pp**
Proportion explained by SDC (9.9pp / 13pp)	**76.2%**
Other population related adjustments *	
Sub-total Explained (B)	**7.0pp**
Revised ACT Retention Rate	**69.2%**
Policy adjustments	
Sub-total Explained (C)	**0.7pp**
Revised ACT Retention Rate	**69.9%**
Total Explained (A) + (B) + (C)	**16.2pp**
Proportion explained by SDC and other adjustments (16.2pp / 13pp)	**125.0%**

* Other adjustments include: popln. change, part-time students, mature-age students and cross-border students. Source: Queensland *Staying at School* Report – see page 123.

The ACER research titled '*Participation in Education and Training 1980-1994'* which forms part of the longitudinal Surveys of Australian Youth, investigated the impact of patterns of educational participation (such as a students' gender, parent's occupation and education, family wealth, urban/rural background etc) over time.

The analyses are particularly pertinent in terms of the extent to which variations in States' participation in post-compulsory education are policy / non-policy influenced as they provide more evidence of the drivers of these differences and the work has been undertaken over a significant time period (early 1970s to late 1990s).

Major drivers of differences in post-compulsory education participation include:

- **SES levels** - 85% of students from a high SES family completed year 12 compared to 72% for those students from a low SES family;

- **professional background** - 90% of students whose parents were from a professional background completed year 12 compared to a figure of 73% for a students with unskilled parents;
- **extent of parental qualifications** - 94% of students whose parents hold post-secondary qualifications completed year 12 compared to 77% for those parents that completed 'some secondary';
- **location** - 89% of students from an urban location completed year 12 compared to 67% for those students from a rural location; and
- **non-government verses government schooling** - 96% of students in an Independent school completed year 12 compared to 83% for those students in a Catholic school and 74% for those in a government school.

As this report has not been sent to the Commission previously, it is provided at **Attachment A**.

Post-compulsory education age group – year 11 compulsory

Based on the latest available evidence, and given the changing circumstances since the 2004 Review, also outlined by the ACT in its previous submissions for the 2010 Review, it is considered that policy influences are minimal. Some of these changes include, for example, States' increased leaving age requirements (often premised on and adopt 'learning or earning' policies) and the joint Australian and State Governments' policies aimed at encouraging greater retention.

There is now clear evidence that demonstrates that the Australian average policy is for students **aged 17 and over** to be in the compulsory years of schooling. By the time of the 2010 Review, the Australian average policy will be for year 11 to be a compulsory year.

The paper provided at **Attachment B**, based on research undertaken, including in some cases, discussions with various State Education departments, **provides evidence that the Australian average policy is now for year 11 to be in effect a compulsory year.**

The paper provides more information the leaving age and other changes implemented by the States. This includes details on the Act responsible for increasing the leaving age; the effective date of change; its application to students; the rational for change; and links to State information on the changes implemented.

Importantly, States' legislation which underpins increased leaving age requirements have **all** had an immediate effect, and have not been phased in over time. As such, the Australian average policy is for students to complete year 11.

For example, in Queensland, the *Education (General Provisions) Act 2006* had an **immediate effect**, being applied to students who were in Year 10 in 2006. That is, from 1 January 2006, young people were required by law to stay at school until they turn 16 or complete Year 10, whichever comes first.

After this, from 1 January 2008, the compulsory participation phase applied until the young person:

- gains a Senior Certificate or Certificate III (vocational qualification); or
- has participated in eligible options for two years. An eligible option is an educational program provided by a school, a course of higher education provided by a university or other provider, a TAFE course, an apprenticeship or traineeship; or
- turns 17.

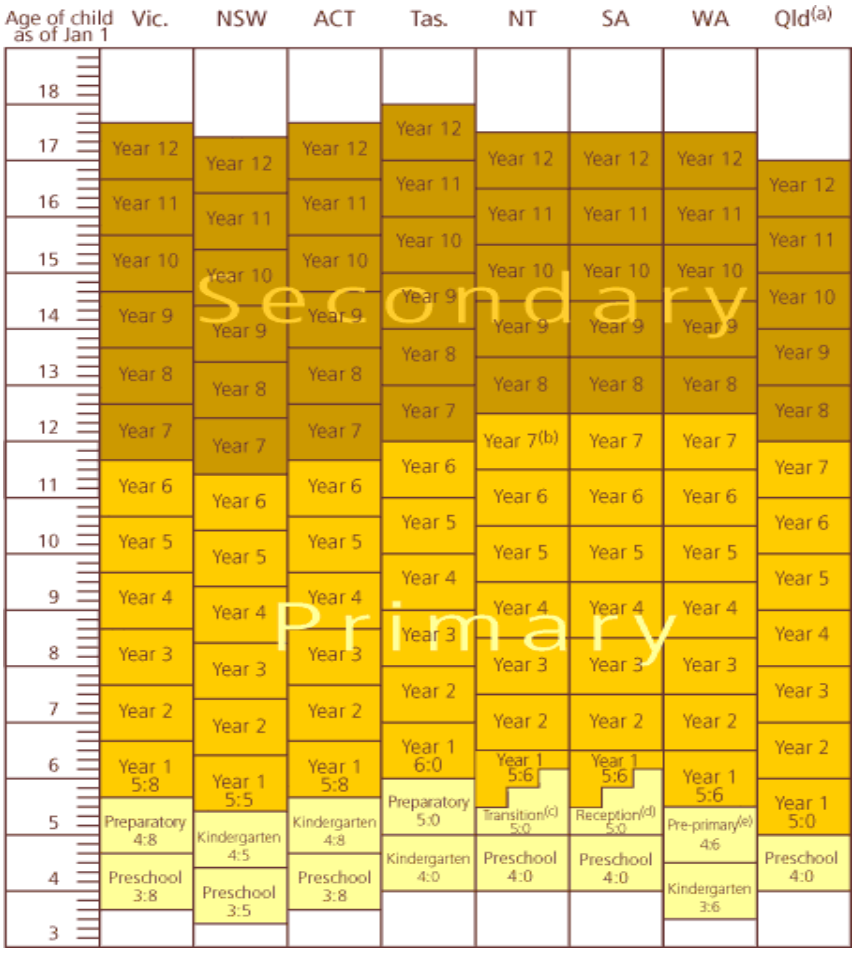
In terms of summarising the legislative position of the States, it is pertinent to note that the States of Qld, WA, SA and Tasmania have all introduced a 'compulsory participation' age. This means that young people are required to be in education, training of full time work until they turn 17 years of age, and if the young person participates in school, for all intents and purposes this means that year 11 (Tasmania) or year 12 (Qld, WA and SA) is compulsory.

Victoria's approach is explained slightly differently. However, it is in effect a 'compulsory participation' age as the *Education and Training Reform Act 2006* specifies that all students between the ages of 6 and 16 years must be enrolled at a school or another registered education and training provider. That is, if a student chooses the schooling option, year 11 is a compulsory year.
NSW and the ACT are also considering the 'learning or earning' approach as part of their review of education, training and work options.

NSW and the ACT are the latest States to raise their leaving age. The NSW government announced on 28 January 2009 that it will raise its minimum school leaving age from 15 to 17 from 1 January 2010. The ACT announced on 29 January 2009 that it will raise its minimum school leaving age from 15 to 17 from 1 January 2009 or 1 January 2010.

Although the following chart is a little old, as some States have changed their age of commencement (in particular Qld and WA), it can be inferred that **NSW, Qld, WA, SA and ACT students with a leaving age of 17 will be required to complete year 11 and many year 12; Victorian students with a leaving age of 16 will generally complete year 11; Tasmanian students with a leaving age of 17 are required to complete year 11. NT students with a leaving age of 15 are generally required to complete year 10.**

STUDENT AGE BY GRADE



Source: MCEETYA (http://online.curriculum.edu.au/anr2002/ch2_structure.htm).

The following table shows that by 2009 (2010 for NSW and possibly the ACT), it is expected that students in all States, with the exception of the NT, will be required to complete year 11.

The Australian average policy is such that 7 out of 8 States will require students to complete year 11, as seen in the following table.

Impact of increased leaving age and 'learning or earning' requirements on 2009 school/training attendance

	2009 Leaving Age	2009 Expected grade level (grade expected to complete)
NT	15	Year 10
Vic	16	Year 11
Tas	17	Year 11
NSW	17 (2010)	Year 11 (with some required to complete year 12 given their age)
Qld	17	Year 11 (with many required to complete year 12 given their age)
WA	17	Year 11 (with many required to complete year 12 given their age)
SA	17	Year 11 (with some required to complete year 12 given their age)
ACT	17 (2009 or 2010)	Year 11 (with some required to complete year 12 given their age)
Australian Average	**17**	**Year 11**

The ABS Schools Australia 2007 publication highlights that the average age of full time year 12 students for Australia was 17.1 years of age. [9] With most students required by legislation to stay at school until 17, in effect year 11 is, on average, a compulsory year

As the Australian average policy is now for year 11 to be in effect a compulsory year, the ACT proposes that the Commission use the equivalent of <u>actual</u> numbers of 15 and 16 year old students (set the policy influences to 'zero' for those aged 15 and 16 within the post-compulsory intensity of use adjustment). The post-compulsory intensity of use adjustment should be applied to students aged 17 and over.

[9] ABS Schools Australia, 4221.0, 2007, Table 19, page 27.

DIFFERENCES IN THE COST OF SERVICES

Cost weight for low SES students

Assessment approach

It is noted that the ABS SEIFA Index of Relative Advantage and Disadvantage (using 2006 Census data) is used to estimate the proportions of low SES and high SES government students. That is, the proportion of Census based low SES students is used to apportion ABS based government student data to estimate a low SES government student population which was weighted by the low SES cost weight.

The ACT is concerned that the ABS SEIFA Index used may produce numbers of low and high SES students that are incompatible with the numbers of students that are classified by the States as being low and high SES – noting that the Australian average policy is pertinent in this case.

Given that the proposed low SES cost weight is only marginally material for one State (ACT at -$11.24 p.c.), depending upon how many students are classified as low and high SES, either using an Index, Australian average policy approach or some another approach, the cost adjustment could actually be immaterial under some approaches.

Information being collected by the Commission in its latest data request on how States classify low and high SES students in their government schools may provide some insights into this issue.

The ACT considers that a low SES factor needs to be fully considered in the context of the assessment guidelines. If the different approaches result in conflicting results in terms of the disability being material or immaterial, **it would be appropriate to discount the low SES factor, or not assess it if the data are of dubious quality.**

Interaction between low SES, remote, Indigenous and CALD cost weights

The Commission intends to assess low SES, remote, Indigenous and CALD cost weights.

The ACT is concerned that the use of data that are not cross-tabulated (because they have not been stipulated as part of the 2010 Review cost weight data collection and/or States cannot provide the data in this), and allocated subjectively (as the driver of cost is ambiguous) may result in some cost weights being overstated, or worse, appearing to be material when they are actually immaterial.

In regard to the latter, a degree of ambiguity exists as to how States are to allocate equity funding where programs are not allocated to one equity group and it is difficult to split funding between specific groups as the driver of cost is unknown. For example, a program aiming to address poor literacy may be targeted at a student who has the characteristics of being low SES, Indigenous or CALD. In this case, how is the expenditure to be allocated? The allocation of expenditure will be subjective as the driver of poor literacy is ambiguous, and thus the cost weights may not be

accurate, possibly leading to some factors being material when they are actually immaterial.

In these circumstances, the Commission needs to ensure that the data being used are sound and meet the assessment guidelines criteria. Clearly the ACT is mainly concerned with the low SES cost weight. In this context it would be appropriate to discount the low SES factor, or not assess it if the data are of dubious quality. This is particularly pertinent as the low SES cost weight is marginally material for just one State, and if the cost data were allocated in a different way by States, it may actually result in the cost factor being immaterial.

The assessment guidelines place the burden of proof on the Commission to establish whether or not the low SES cost data are fit-for-purpose and of sound quality.

Cost weight for student level (Grade Cost)

The ACT notes the work that has been undertaken regarding the materiality testing of cost weights for student level (grade cost factor).

The current approach is premised on applying cost weights to the total assessed enrolments that have been age, Indigeneity and post-compulsory adjusted. It is understood that the post-compulsory adjustment is based on the 2004 Review outcome as a placeholder.

Given the policy changes adopted by the States in recent years, that have reduced policy differences between them significantly, such as increased leaving age legislation, combined with Australian Government policy initiatives such as the initiatives to increase school retention to year 12 and the announcement of a national curriculum to be introduced January 2011, the ACT would expect that the **policy influenced proportion** of the difference between States' actual year 12 participation and the Australian average will be **decreased** significantly. This could result in a significant change to the assessed age, Indigeneity and post-compulsory adjusted enrolments, thus making the senior secondary grade cost weight material.

Following on from the post-compulsory education consultancy, and once the Commission has determined the policy / non-policy influenced proportion that would apply to differences in State participation, the ACT requests that the grade cost factor be tested again for materiality.