

Policy note

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This briefing examines government and private funding across educational sectors.

Key findings include:

- Differences in funding for public and private education across the sectors:
 - do not reflect policy coherence; and
 - entrench inequities.
- All sectors receive funding from both public and private sources, though the shares vary. Private funding is uncapped in independent schools and negligible in Government schools.
- Private schools receive more government funding for students than public universities.
- While school student staff ratios have been declining, university student staff ratios have been increasing.

Enrolments, funding and student staff ratios by sector

Enrolments and institutions by sector

With 861,459 full-time equivalent (FTE) enrolments, higher education is the smallest of the educational sectors. The VET sector is estimated to have around 1.5 million FTE students (including both public VET and private VET, about which there are few if any reliable statistics). Not surprisingly, the school sector is much bigger than higher education: at just under 3.5 million, school students are four times as numerous as higher education students. There are just over 2 million primary school students, and 1.5 million secondary students.

Since most (though by no means all) higher education students study in very large institutions, the total number of higher education institutions is relatively small, compared to other sectors. There are 125 higher education providers (ranging from large, comprehensive public universities to niche private providers). By contrast, the number of VET providers is estimated at around 5800 (reliable data on private VET is unavailable). There are 9461 schools: 6354 primary schools, 1422 secondary schools and 1685 other schools (including combined primary/secondary schools and special schools).

Public and private institutions

All sectors include both public and private institutions. However, the relative shares of each differ markedly by sector, both in terms of institution numbers and student numbers.

In higher education, private providers account for 70% of all institutions. However, private higher education providers are mostly small and tend to be specialised in their offerings. The proportion of FTE higher education students studying with private providers is only a tenth as big at 7%. Total private enrolments number only 57,720, out of a total of 861,459.

According to our estimates, numbers of VET institutions are fairly evenly split between public and private, with a slight preponderance of private institutions. Similarly, it is estimated that 55% of all VET students are studying with private providers¹.

Nearly 30% of schools are private. The share of private secondary schools is slightly bigger (27%) than primary schools (23%). Private schools have a bigger share of students (34%) than they have of institutions. Some 31% of primary students are in private schools, while the private share of secondary schooling is 39%.

Table 1. A cross-sectoral comparison of student enrolments, funding and student-staff ratios

Education Sector	# Institutions	Student enrolments		Student/teaching staff ratios	Funding/Student FTE		Aggregate Government funding
		#	FTE		Government funding	Other funding	
Primary Schools							
Public	4,879	1,390,543	1,390,543	15.4	\$12,391		1, 2
Private	1,475	621,152	621,152	16.5			1
Catholic	1,227	390,167	390,167	17.7	\$8,618	\$1,751	1, 3
Independent	248	230,985	230,985	14.9	\$6,100	up to \$21,680	1, 4, 5
Secondary Schools							
Public	1,034	901,255	901,255	12.3	\$15,312		1, 2
Private	388	583,858	584,115	11.7			1
Catholic	316	322,697	322,697	12.9	\$9,506	\$4,023	1, 3
Independent	72	261,161	261,161	10.5	\$6,100	up to \$29,200	1, 4, 6
Combined Prim/Sec & Special Schools							
Public	830	Included above					
Private	855	Included above					
Catholic	158	Included above			\$8,670	\$5,885	
Independent	697	Included above			\$6,100		
Vocational Education & Training							
Public	2,794	1,799,000	655,800		\$8,245	\$486	7, 8
Private	~3,000	~2,200,000	~802,000		\$0		9
Higher Education							
Public*	38	1,111,352	803,741	21.1			10, 11
Commonwealth supported		656,122	495,841		\$1,793-\$19,542	\$0-\$9,080	10, 12
Fee paying		435,498	282,766		\$0	\$12,992-\$58,700	10, 13
Private	87	81,305	57,718				10

*Note: RTS and non-award students are not reported separately but are included in the total for public higher education.

Data sources, Table 1

- Schools, Australia 2010, catalogue number 4221.0, ABS.
- National Report on Schooling in Australia 2008.
- National Catholic Education Commission 2010 Annual Report.
- Independent Schooling in Australia Snapshot 2011.
- School Fees, Billing and Payment Procedures, and Options for Payment of School Fees Effective 1 January 2011, The King's School.
- Richest schools grab more government funding, add higher fees, The Australian, December 20, 2010.
- Australian vocational education and training statistics: Students and courses 2010.
- Australian vocational education and training statistics: Financial information 2010.
- Private training providers in Australia: Their characteristics and training activities, Roger Harris et al 2006.
- DEEWR Selected Student and Staff Statistics 2010.
- DEEWR Selected Student Statistics 2009;
- Information for Commonwealth supported students HECS-HELP 2011, DEEWR.
- The Economic Role of International Student Fees in Australian Universities, University of Melbourne.

1 A 2006 NCVER study (using 2003 data) estimated that there were 2.2 million students in private VET institutions, compared to 1.7 million in public VET. However, lack of data on training hours for private VET students made a comparison on an FTE basis impossible. The large number of private VET students in short courses would lead to markedly lower private FTE student numbers. See Harris et al (2006).

Public and private sources of funding

The split between public and private sectors is not as clear as a simple split by institution would suggest. In all sectors, private providers receive significant government funding, while most public providers (with the big exception of government schools) charge students fees.

Table 2. Government funding (Commonwealth and State) by educational sector

Sector	Aggregate Government funding (\$m)	FTE enrolments	Average Government funding per FTE student (\$)
Government schools	31,030	2,291,798	\$13,540
Catholic schools	6372	712,864	\$8938
Independent schools	2900	492,146	\$5893
Sub-total Private schools	9272	1,205,010	\$7694
Public VET	5407	655,800	\$8245
Public higher education	4796	495,841	\$9672

Source: derived from Table 1 above

Private schools receive a total of \$9.3 billion in funding from government sources (Table 2), equivalent to about \$7700 per student².

Systemic Catholic schools (which account for over 60% of all private schools) receive a majority of their recurrent funding (averaging nearly 75%) from Commonwealth and State governments and charge relatively low fees, averaging around \$3200 per student. Government funding is around \$6.4 billion or \$8900 per student³.

Independent schools (non-Catholic private schools and Catholic schools outside the State and diocesan Catholic education systems) also receive significant government funding, though this varies by school with an 'average' independent school receiving about \$6100 per student (this figure is just above the mean for all independent schools)⁴. Total government funding to independent schools is \$2.9 billion. On average, about 40% of recurrent funding is supplied by government. This proportion varies widely, not only due to variations in Government contributions, but also due to wide variations in fees.

The mean annual fee at independent schools is about \$8300, though variance is very large. Fees at independent schools can exceed \$20,000 at the most exclusive schools⁵.

Public VET received around \$5.4 billion from government sources, at a rate of around \$8200 per FTE student. Student fees and charges totalled just under \$320 million, or just under \$490 per student. Per student figures are averages concealing wide variation by State/Territory and program. Recent changes in VET fees in Victoria and other States (in the direction of higher private contributions covered by loans) are likely to cause average fees to increase.

Changes in VET funding and increased contestability have led to a blurring of public/private boundaries. Even before these changes, 63% of private VET institutions received some government funding. Over one quarter funded training from government sources only, while only 37% received no government funding (Harris et al 2006). Another NCVET study (Ferrier et al 2008) found that VET providers (considering public and private

² Aggregated from data in the National Catholic Education Commission Annual Report 2010 (pp.28-29) and the Independent Schools Council of Australia (ISCA) *Snapshot 2011*.

³ National Catholic Education Commission Annual Report 2010, p.28

⁴ According to the Independent Schools Council of Australia (ISCA), a low SES independent school attracts \$8320 in government funding while a high SES independent school gets \$3310. An 'average' independent school receives \$6100 (the figure quoted in Table 1). This 'average' figure is close to the arithmetic mean for all independent schools.

⁵ The most expensive annual fee at an independent primary school is \$21,000 (at the King's School in Sydney; see www.kings.edu.au/documents/fees-accounts/tuition-boarding-fees.pdf), while the highest secondary school fee is \$29,000 at Geelong Grammar (see 'Richest schools grab more government funding, add higher fees', *The Australian*, December 20, 2010).

providers together) derived 79% of their income from government sources. However, the value of this finding is compromised as private providers' income from non-government sources is not included in the total.

While the school and VET sectors feature private institutions receiving considerable public funding, higher education is dominated by public institutions that draw on significant private funding. Private providers have a small, though rapidly growing, share of the higher education market, but most students at public providers make a large private contribution to the cost of their studies.

Over a third of FTE students at public higher education providers (HEPs) in 2010 paid full fees. Of these, three-quarters were international students. There were more than 50,000 (FTE) fee-paying domestic students, representing 6% of total enrolments at public HEPs.

The majority of students at public HEPs (62%) were in Commonwealth-supported places. Unlike fee paying students, part of the cost of a Commonwealth-supported student's place is paid directly by the Commonwealth Government, while the student is liable to pay a student contribution amount (SCA). Both the Commonwealth contribution and the SCA vary by field of education according to a complex (and confused) scheme that attempts to take account of cost of teaching, expected private returns and social utility in different fields. The private share of funding is 84% for a Law or Business student, but only 28% for an Agriculture student⁶. In absolute terms, SCAs range from \$5442 for lower cost fields (such as Humanities), to \$7556 for Computing or Engineering and \$9080 for Law and Medicine. Maths, Statistics and Science are in a 'National Priorities' band priced lower than Humanities at \$4355, but these subjects will move to the middle band (with Computing and Engineering) from 2013.

Total Commonwealth contributions were around \$5.1 billion in 2010-11 (rising to \$5.5 billion in 2011-12)⁷. This represents about \$9700 per FTE student (in 2010), but differs by field of education. Law and Business attract a Commonwealth contribution of only \$1793, while high cost fields such as Medicine and Dentistry receive a contribution of \$19,542.

Public universities and private schools

As noted above, total government funding for private schools is \$9.3 billion, compared to \$5.1 billion for Commonwealth-supported university places. In per student terms, the average private school student gets \$7700 while Commonwealth-supported university students are funded at an average of \$9200 each. Both of these averages conceal very wide variation. One half of CSPs attract a Commonwealth contribution that is roughly equal to – or less than – Government funding per student at a low SES independent school or a Catholic school. One quarter of CSPs get less than the average Government funding per student for all private schools (including Catholic schools) and one fifth of CSPs get less than average Government funding per student at a high SES independent school.

Commonwealth-supported university students' private contributions also vary, but on average are lower (around \$6300 in 2010) than average fees at independent schools (\$8300). The highest SCA is \$9080. SCAs are maximum fees, set by law (all universities charge the maximum as funding does not necessarily cover costs of delivery). Independent school fees, on the other hand, are highly variable, with maximum fees in excess of \$20,000.

At the top end, independent school fees resemble full fees for university programs. A study by the University of Melbourne found that average annual fees for international undergraduate students were around \$20,000⁸.

6 A relatively small proportion of domestic students have free places. Some 9280 Commonwealth-supported students are exempt from HECS (these students hold exemption scholarships, are enrolled in Enabling courses or are undertaking work experience in industry). There are also 21,596 students participating in the Research Training Scheme (RTS) and 1618 domestic non-award students.

7 DEEWR Portfolio Budget Statement 2011-12, p.91

8 The range extended from \$12,992 up to \$58,700. The highest fees are charged in Medicine, Dentistry and Veterinary Sciences, which offer strong returns and are expensive to teach. Typical fees in these fields were \$40,000 to \$45,000. See Michael Beaton-Wells and Ernie Thompson (2011), *The Economic Role of International Students' Fees in Australian Universities*, University of Melbourne.

Up-front fees and income-contingent loans

While international students pay their fees up-front, domestic students in full-fee postgraduate courses are able to take FEE-HELP loans to pay their fees, and nearly two-thirds of them do so. A clear majority of students in Commonwealth-supported places (over 80%) take out loans under a different loans scheme (HECS-HELP) to pay their (capped) SCAs⁹. Students in some higher level VET courses defer their fees through VET FEE-HELP, which, as the name makes clear, is an extension of the FEE-HELP program). Some States and Territories are examining wider use of income-contingent loans for VET fees. Victoria has already introduced an income-contingent loan system. The Commonwealth Government has recommended income-contingent loans as part of a package of potential VET reforms through the COAG process.

Income-contingent loans schemes operate to remove up-front financial barriers to higher education participation, whether fees are capped (e.g. HECS-HELP places) or uncapped (e.g. FEE-HELP). Graduates only begin repaying their loans once their income reaches a threshold set to reflect a graduate income premium¹⁰. Repayments are made through the tax system, starting at 4% of income, rising gradually to 8% in the top income bracket¹¹. Higher education is free to the student at the point of enrolment. Repayments are only made by those who can afford to pay. If a graduate's income falls below the threshold, no repayments are made.

There are some differences between HECS-HELP and FEE-HELP, which tend to disadvantage full fee paying students. There is a government co-contribution to HECS-HELP, but not to FEE-HELP. Undergraduates (but not postgraduates) who take out FEE-HELP loans must pay a 25% administration charge to offset the interest subsidy included (loans are interest-free), while there is no such offset for HECS-HELP. Commonwealth-supported students can pay up-front instead of taking a HECS-HELP loan, in which case they get a 10% discount. There is no similar arrangement for full fee paying students.

Independent school fees, on the other hand, are paid up-front by parents. Independent school fees act as a means of rationing access to very high quality schooling, excluding all but the wealthy. This has become an indirect means of further advantaging affluent students in university admissions.

Those who can afford to pay most for schooling have the best access to the most prestigious courses at the most prestigious universities. A Victorian study in 2003 found that the median ATAR of university applicants from independent schools was more than 20 points higher than the median ATAR of applicants from government schools¹². The same study found that some 77% of applicants from Independent schools were offered a university place, compared to 55% for Catholic schools and 46% for Government schools.

A 2007 study using Victorian data showed that about a quarter of university applications from school leavers were from students at Independent schools, but that a third of offers went to Independent school students. Furthermore, Independent school students had increased their share of offers by five percentage points over the previous nine years¹³.

More recently, the ABS reported that 39% of non-government school students attain a Bachelors degree or above, compared to 25% of government school students¹⁴.

9 DEEWR (2010), *Higher Education Student Statistics*, Table 5.1: Actual Student Load (EFTSL) for All Students by Liability Status and Broad Level of Course, Full Year 2010.

10 In 2010-11, the threshold is \$44,911.

11 In 2010-11, the top income bracket starts at \$83,408.

12 Daniel Edwards, Bob Birrell and T. Fred Smith (2005), *Unequal Access to University Places*.

13 Bob Birrell, Daniel Edwards and Ian R. Dobson (2007), The widening gap between demand for and supply of university graduates in Australia, *People and Place*, 15(2), pp.72-86.

14 ABS (2011), 4102.0, *Australian Social Trends*, Sep 2011.

Student-staff ratios

Student-staff ratios (SSRs) are another important indicator of the deployment of resources by institutions in different educational sectors. Universities compare poorly with schools on SSRs. University SSRs have risen to 21.1:1 – up from 16:1 in 1996. Universities would need a significant increase in funding – in the order of \$1.6 billion per year at current enrolment numbers – to be able to return to 1996 SSRs

SSRs in schools are much lower. In primary schools, SSRs are in the mid teens – ranging from 17.7:1 in Catholic primary schools to 14.9 at independent schools. The figure for independent primary schools is, however, not very different from the SSR at government primary schools (15.4:1).

SSRs are lower again at secondary schools: 12.3:1 at government schools, 12.9:1 at Catholic schools and only 10.5:1 at independent schools.

While university SSRs have been increasing, school SSRs have been declining.

These figures go against commonly held – but by now outmoded assumptions – that schools feature large classes while university teaching takes place in small groups.

Conclusion

The data presented in Table 1 and 2 and discussed in this paper show that there is no consistent policy rationale for funding across educational sectors, or even within single sectors. Levels of government funding are not informed by clear principles. Private funding is negligible in Government schools and uncapped in independent schools. Some higher education courses and students have uncapped fees, while CSP places cap student contributions according to a complicated schema influenced by expected private returns and notions of public good as well as cost of delivery.

The sharpest anomaly is seen in the relationship between independent schooling and access to university. Independent school students (or rather their parents) pay uncapped fees for better schooling and thus higher ATARs and better access to university. These students then benefit disproportionately from public subsidies through the CGS. They are unable to contribute more to the cost of their education, although in many cases they would be willing and able to do so.