

Submission to the Senate Inquiry into the *Australian Education Amendment (Direct Measure of Income) Bill 2020*

Principals Association of Victorian Catholic Secondary Schools

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1. Introduction

The Principals Association of Victorian Catholic Secondary Schools (PAVCSS) is the professional body which supports, educates and represents Victorian Catholic Secondary School Principals in their work within the mission of the Church.

PAVCSS welcomes this opportunity to make this submission to the Senate Inquiry into the *Australian Education Amendment (Direct Measure of Income) Bill 2020*.

The proposed legislation will fix clear and long-standing inequities in school funding arrangements.

We strongly endorse the proposed legislation and consider it essential to needs-based funding in Australia. In support of this position, in this submission we make the following points:

- SES scores are biased against Catholic schools (section 2)
- School funding inequities due to SES scores have a real impact on our schools and undermines our ability to compete (section 3)
- Direct Measure of Income (DMI) scores are much more accurate and fair than SES scores (section 4)

These are further explained below.

2. SES scores are biased against Catholic schools

School Socio-Economic Status (SES) scores are used to estimate the ‘capacity to contribute’ of school communities to their school. In other words, they are supposed to be a means-test of school families. Yet the SES scoring methodology is not fit for this purpose. This is for a number of reasons, but especially because:

- SES scores do not actually consider the individual circumstances of school families – they only assess school families based on the neighbourhoods (Statistical Area 1s, SA1s) in which they live
- SES scores consider a wide range of factors (education, occupation and income characteristics), rather than income and wealth.

These shortcomings make SES scores deeply flawed.

Of particular concern to PAVCSS is that these flaws leads to a bias against Catholic schools. This bias arises because within each SA1, where the SES scoring methodology assumes all families are the same, Catholic schools and high-fee independent schools tend to enrol different family types. Catholic schools are more likely to enrol lower-income families, while high-fee independent schools are more likely to enrol higher-income families. By assuming all families in each SA1 are the same, the SES scoring methodology therefore results in SES scores that are too high for Catholic schools, and too low for high-fee independent schools.

This bias was demonstrated by the National School Resourcing Board (NSRB) when it analysed school SES scores and school family income data.

It is also evident in comparisons of Catholic and independent schools throughout Victoria. A list of examples is provided at Appendix A. These directly compare a Catholic secondary school to a nearby independent school with a similar SES score (meaning that the schools attract similar government funding). While the school SES scores are similar, a range of other datasets demonstrate that this is

not true. The SES score of the independent school must be too low and/or the SES score of the Catholic school must be too high.

It is important to reflect on why this bias occurs under the SES scoring system. It occurs because Catholic schools strive to be accessible to low-income families. In a sense, Catholic schools end up being 'punished' for enrolling low-income families, because this reduces the ability of schools to raise fee income, but the SES scoring system does not necessarily recognise this. Conversely the SES scoring system 'rewards' schools that enrol higher-income families within each SA1. These perverse effects make SES scores completely at odds with the concept of needs-based funding.

3. Inequities in school funding due to SES scores have a real impact on our schools and undermines our ability to compete

The clear bias against Catholic schools inherent in SES scores is not just an academic distraction. **It has a real and highly detrimental impact on Catholic schools.**

SES scores are the most important parameter for non-government schools, in determining the amount of government funding they receive.

This means that the situation outlined above – whereby many Catholic schools receive similar SES scores to nearby independent schools, even though their families tend to have lower incomes – results in those schools receiving similar levels of government funding.

This greatly undermines the ability of Catholic schools to compete. Through an unjust funding system, Catholic schools are less able to match the curricular offerings, the extra-curricular opportunities, the student-teacher ratios and/or the facilities of independent schools. This invariably leads to a loss of students from Catholic schools to independent schools.

The comparisons in Appendix A show that there are many places throughout Victoria (including in Melbourne) where Catholic schools are disadvantaged compared to a nearby independent school.

However, the most egregious cases where this occurs are probably in regional Victoria. In regional Victoria there are several high-fee independent schools that receive relatively high levels of government funding because flaws in the SES scoring system make their SES scores too low. These high-fee independent schools include:

- Girton Grammar (Bendigo)
- Ballarat and Clarendon College (Ballarat)
- The Alexander and Hamilton College (Hamilton)
- Gippsland Grammar (Sale)
- Goulburn Valley Grammar (Shepparton)
- St Paul's Anglican Grammar (Warragul)

Catholic secondary schools throughout regional Victoria continually lose students to these schools but are not able to compete with them on a level playing field.

Many high-fee independent schools (including those listed above) are likely to experience a decrease in funding if SES scores are replaced by DMI scores. On that basis, PAVCSS expects they may recommend changes to the *Australian Education Amendment (Direct Measure of Income) Bill 2020*.

While it is unfortunate for these schools to be facing decreases in government funding from DMI scores, the way those schools currently operate has been built on inequitable funding model that makes it very hard for Catholic schools to compete. The decreases in funding now faced by these schools should be considered an overdue correction to unfair and damaging arrangements that have been detrimental to Catholic schools.

A relatively small number of Catholic secondary schools are also in a position whereby the shift to DMI scores will result in a decrease in funding.

In regards to schools facing decreases in funding, PAVCSS notes that:

- The proposed transition arrangements (whereby DMI scores will not apply until 2022, and schools will have until 2029 to transition to less funding) provide these schools a long lead-time to plan ahead
- These schools could avoid a decrease in government funding by enrolling more low-income families, thereby reducing their DMI scores. In this way the DMI scores provide the right incentives for non-government schools to be more inclusive.

4. DMI scores are much more accurate and fair than SES scores

DMI scores make considerable improvements on SES scores, as a measure of the 'capacity to contribute' of a school community. The main improvements are that DMI scores:

- Are based on the personal incomes of parents/guardians at the school – not the characteristics of their neighbourhoods
- Only take into account incomes – not education and occupation characteristics also
- Are updated every year for changes in student populations and parent/guardian incomes – rather than every 4-5 years.

These improvements mean that DMI scores will be much more accurate and fair than SES scores. The first point highlighted above – the use of personal information about parents/guardians, instead of assessing them based on their neighbourhoods – is especially important.

The shift to DMI scores is critical to needs-based funding. For the first time, DMI scores will directly link school funding to the incomes of families in each school. This will direct more funding to the non-government schools that enrol low-income families, and create greater incentives for non-government schools to be more inclusive for low-income families. Because of this desirable impact, a number of Catholic secondary schools throughout Victoria are set for material increases in funding under the DMI methodology. **This change should be welcomed by all advocates of needs-based funding and it is strongly supported by PAVCSS.**

Appendix A Examples of clear bias in SES scores

SES scores are deeply unfair for Catholic secondary schools, in many places throughout Victoria. This is evident from the comparisons shown in the tables below. In each table, a Catholic secondary school is directly compared to a nearby, independent school with a similar SES score (meaning that the schools attract similar government funding). Several of the examples relate to schools in regional areas.

While the school SES scores are similar, meaning the SES scoring methodology estimates that the school communities are alike, a range of other datasets is shown to demonstrate that this estimate is not true. These other datasets include:

- Fees and charges that parents/guardians at the school are paying (fees are much lower at the Catholic school, meaning that the Catholic schools is more likely to have lower-income families)
- Socio-educationally disadvantaged students enrolled at each school (in each case there are more of these students in the Catholic school).

These other datasets strongly indicate that the SES scores are biased against the Catholic school. The SES score of the independent school must be too low and/or the SES score of the Catholic school must be too high.

School name	Camberwell Grammar School	De La Salle College
Sector	CANTERBURY	MALVERN
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$27,730	\$10,100
Educationally-disadvantaged students (%)	3	17
SES score	121	119

School name	Penleigh & Essendon Grammar School	St Bernard's College
Sector	KEILOR EAST	ESSENDON
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$15,320	\$7,999
Educationally-disadvantaged students (%)	8	36
SES score	111	109

School name	Girton Grammar School	Catholic College, Bendigo
Sector	BENDIGO	BENDIGO
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$12,897	\$4,624
Educationally-disadvantaged students (%)	15	46
SES score	101	98

School name	Kingswood College	Our Lady of Sion College
Sector	BOX HILL	BOX HILL
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$18,367	\$7,846
Educationally-disadvantaged students (%)	6	24
SES score	116	111

School name	Woodleigh School	Kilbreda College
Sector	BAXTER	MENTONE
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$20,784	\$6,079
Educationally-disadvantaged students (%)	16	40
SES score	107	107

School name	The Hamilton and Alexandra College	Emmanuel College
Sector	HAMILTON	WARRNAMBOOL
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$14,439	\$4,575
Educationally-disadvantaged students (%)	22	49
SES score	98	95

School name	Gippsland Grammar	Catholic College, Sale
Sector	SALE	SALE
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$10,890	\$5,136
Educationally-disadvantaged students (%)	20	68
SES score	95	94

School name	Billanook College	Aquinas College
Sector	MOOROOLBARK	RINGWOOD
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$17,943	\$6,508
Educationally-disadvantaged students (%)	22	38
SES score	103	104

School name	Goulburn Valley Grammar School	Notre Dame College
Sector	SHEPPARTON	SHEPPARTON
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$12,170	\$3,484
Educationally-disadvantaged students (%)	13	60
SES score	97	94

School name	Ballarat & Clarendon College	Kilbreda College
Sector	BALLARAT	MENTONE
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$12,024	\$6,079
Educationally-disadvantaged students (%)	6	40
SES score	103	107

School name	Tintern Schools	Emmaus College
Sector	RINGWOOD EAST	VERMONT SOUTH
Location	Independent	Catholic
Annual fees and charges (\$/student, 2018)	\$23,486	\$6,468
Educationally-disadvantaged students (%)	10	34
SES score	109	108