

Senate Committee: Education and Employment

**QUESTION ON NOTICE
Additional Estimates 2015 - 2016**

Outcome: Schools and Youth

Department of Education and Training Question No. SQ16-000094

Senator Lines, Sue provided in writing

Consumer Price Index and the Education Component of the CPI over the last decade or so

Question

In the year to September 2015 CPI increased by just 1.5 per cent, but the education component increased by 5.5 per cent.

- (a) Does CPI reflect the real cost increases faced by schools?
- (b) In real terms, under the Government's CPI school funding policy, would school funding increase, decrease or stay the same if the education component of CPI was increasing at almost four times the rate of headline CPI?
- (c) Will linking school funding to CPI ensure Australian schools are internationally competitive?
- (d) Can you assure parents that linking school funding to CPI is the best school funding policy possible to increase Australia's international competitiveness and make sure our country is one again in the top five globally?

Answer

- a. The Consumer Price Index (CPI) measures changes, over time, in retail prices of a constant basket of goods and services representative of consumption expenditure by resident households in Australian metropolitan areas. These services include and take account of education costs.

The education component of CPI captures changes in household expenditure on private and government preschool, primary and secondary education fees, as well as private and government tertiary education fees.

Teacher salaries are the major driver of school costs. In most jurisdictions pay rises for government school teachers in recent years have been between two and three per cent reflecting rates similar to CPI.

- b. Schools funding will remain the same in real terms on a per student basis under budget projections.
- c-d According to the latest OECD data, Australia is not a low spending education country. Overall funding for school systems is important, but only up to a point. The OECD has examined PISA results across countries and for economies comparable to Australia, funding levels are unrelated to outcomes. It is how the money is spent that matters.