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Valuing Education

A Response to the Australia Institute Report *Buying an Education*

Jennifer Buckingham

EXECUTIVE SUMMARY

The Australia Institute recently published a report called *Buying An Education: Where Are The Returns Highest?*. The author of the report, Richard Denniss, argues that parents would be wiser to save the money they might spend on non-government schooling, and use it to pay for a full-fee university place.

This argument rests on two claims. First, that schools do not directly affect achievement, so non-government schools are not worth the expense. Second, that anyone with enough money will be able to enrol in the course of their choice at their preferred university.

This paper shows that the evidence used by Denniss to support these claims is flawed:

- The report suggests that the cost of a non-government school education is higher than the cost of a public school education, and is increasing at a greater rate. They are, in fact, very similar when all categories of expenditure are taken into account.
- The report erroneously assumes that parents choose non-government schools mainly for academic reasons, and as a means of accessing university.
- The evidence presented to establish that socioeconomic status is more important than the school attended, and that non-government schools do not offer any educational advantage, misinterprets and misrepresents the research cited.
- Universities cannot offer an indefinite number of full-fee places to anyone who wants one, and the places they do offer are in addition to government-funded HECS places.

It is impossible for parents to predict whether their child will have to pay for their university education, or whether full-fee places will even exist then. Parents have to make decisions about what is best for their children in the short, medium and long term. This is to ensure their children receive a quality education.

There is good evidence that non-government schools, on average, offer an educational advantage. Such broad stroke comparisons may not apply to individual schools, however. The fact that parents can only compare school sectors, rather than individual schools on their merits, is one of the far more important problems in education that the Australia Institute report fails to address.

Jennifer Buckingham is a policy analyst at The Centre for Independent Studies. She is the author of numerous publications on school education, including *Schools in the Spotlight: School Performance Reporting and Public Accountability* (2003) and *Families, Freedom and Education: Why School Choice Makes Sense* (2001).

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Introduction

The Australia Institute report *Buying An Education: Where Are The Returns Highest?* claims that parents would be 'financially better off' investing the money they might have spent on a private (non-government) school education, and then spending it on a full-fee place at university.

To support this hypothesis, the author Richard Denniss showed that the estimated cost of tuition in high-fee independent schools is higher than the estimated cost of a full-fee university place. As estimates of the cost of specific courses in specific institutions they are not in dispute. However, these are present day estimates, and it cannot be inferred that they will be applicable in twelve or more years time.

It can be assumed that the report's central argument is not intended to be taken literally by parents. It is deliberately provocative in order to introduce a more subtle point: that people should not be able to pay for their education. Nonetheless, the report has been taken seriously at face value, being cited in least one recent newspaper article about students missing out on university places. The same article quoted Sydney University's vice-chancellor as being in agreement with the thesis.[1]

The report's argument rests on two claims. First, that schools themselves offer no academic advantage, so non-government schools are not worth the expense. Second, that anyone with enough money will be able to enrol in the course of their choice at their preferred university, which is inequitable and will lower standards.

These findings were detailed in the press as early as December 25, 2003, but the report itself was not released until January 8, 2004. This made it impossible for the report to be scrutinised at the time it was being publicised. This is not a constructive way of advancing public debate on a serious issue.

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The Cost of Non-Government Schooling

There is no question that the cost of non-government schooling has been increasing annually, for at least the last decade, and that tuition fees in some non-government schools are very high.

Two things must be noted, however. First, the cost of public schooling is also increasing, and at a rate comparable to that of non-government schools. The *Sydney Morning Herald* estimated that the private cost of non-government schooling increased by an average of 7.5% from 2002 to 2003. It also reported that the cost of public school education rose by 7.2% last year.[2]

The similarity is not always apparent, because one is a private cost coming from families' household income, while the other is a public cost, borne by all taxpayers. Both increases are much higher than inflation, and both school sectors blame the same factors: rising teacher pay, insurance premiums and new technology.

The second important point is that not all non-government schools are high fee schools. The eight schools listed in *Buying An Education* are not representative of the non-government school sector. The non-government sector consists of Catholic systemic schools and independent schools. Catholic systemic schools form around two thirds of the non-government sector and have very low fees on average—$1,400 per year in 2001.[3]

Independent schools are much more varied. The high fee schools used as examples in the report are not typical of the independent school sector. Average fees in independent schools were $5,300 per year in 2001.[4] This is a third of the high fee level ($17,000), and half of the 'moderate' fee level ($10,000), depicted in the Australia Institute report, and indicates that there are a large number of schools with even lower fees.

The Value of Non-Government Schooling

Schools are not simply pathways to university. School education is important in its own right. Parents in the position to do so choose a school based on a variety of reasons, and not all parents have the same priorities. Many choose non-government schools because they seek a particular educational ethos, or because they want the values they teach at home to be reinforced at school. This is not to say that parents disregard academic performance, but that it is one factor among many, and is usually not at the top of the list.[5]

Academic performance is, of course, important. Because information that allows individual schools to be compared is not available to the public, comparisons between schools are necessarily broad and highly generalised. This is unfortunate, because the differences *within* school sectors are as great as the differences *between* school sectors. This makes comparing school sectors a difficult task, but not an impossible one. The Australia Institute report draws on two sets of evidence to support its claim that non-government schools have, on average, no academic advantage: results of the 2003 NSW Higher School Certificate and recent research by the Australian Council for Educational Research.

The HSC results quoted are that '74 of the top 130 students were educated in government schools'.[6] Denniss does not provide a source for this statistic and does not define what a 'top' student is. Setting these issues aside, this statistic shows that government school students were slightly underrepresented, if only 74 out of 130 students (57%) were from government schools when they fielded an estimated 63% of candidates.[7] This is a crude statistic, and is heavily influenced by the success of selective government schools, which Denniss acknowledges.

More sophisticated evidence comes from the Australian Council for Educational Research (ACER). Using data from the Longitudinal Surveys of Australian Youth (LSAY), researchers at ACER have published a

number of reports investigating how the characteristics of students, families and schools influence educational and labour market success.

Denniss cites the most recent of the ACER reports—LSAY Research Report 36— to provide evidence that schools have little effect on student achievement, once the socioeconomic status (SES) of the students is taken into account.[8] This ACER study looked at literacy and numeracy in Year 9, not tertiary entrance scores, so to infer university admission from these findings is a stretch. Even if this is granted, his account of the report's findings is seriously flawed.

Buying An Education claims that LSAY Research Report 36 showed that:

1. Students from schools with higher SES perform better on literacy and numeracy tests;
2. Students from families with higher SES achieve higher test scores; and
3. SES affects students' achievement regardless of the type of school they attend.

The relationship between SES and student achievement is well-established, and operates at two levels. LSAY Research Report 36 found that SES had a small but significant effect on student achievement at the individual level, but a larger effect at the school level. This suggests that the effect of low SES on a student's achievement is exacerbated by the SES of their schoolmates.

This interpretation is not the only one, however. Other research indicates that other factors at the school level, related to SES, affect student achievement much more. One such factor is teacher quality. Ken Rowe found that a large proportion—around 60%—of the variance in student achievement can be attributed to teacher quality.[9] It is therefore likely that SES has a largely indirect effect on student achievement, by the greater likelihood that high SES students receive high quality teaching.

Current salary and employment conditions for teachers provide no incentive for good teachers to work in low SES schools, which usually present more challenges. In NSW state schools for example, teachers are allocated to schools through a point system. Teachers are awarded more points for teaching in more challenging schools, so these schools have a large proportion of younger, less experienced teachers, who tend to stay only long enough to get a transfer, or burn out. This is a serious problem and should be treated as such.

The issue of SES is clearly much more complex than portrayed in *Buying An Education*. Repeatedly pointing out that high SES students have higher achievement does not help low SES students. We need to know why, and the first step is useful and accurate information, which *Buying An Education* does not always provide.

Contrary to Denniss' claims, LSAY Research Report 36 did *not* analyse the effect of school type. The most recent ACER study to have investigated the effect of school type on academic achievement was published in November 2001—LSAY Research Report 22.[10] It found that non-government schools, particularly independent schools, *do* have a positive effect on academic achievement that cannot be explained by the SES of their students. Students attending independent schools achieved tertiary entrance scores 11.5 points (out of a possible 100) higher on average than government school students. Catholic school students achieved scores 6 points higher on average than government school students. The effect is reduced when SES is controlled, but a substantial and significant effect remains. The study also found that achievement growth among low achievers was greater in independent schools.

The above evidence does not suggest, as Dennis claims, that SES is more important than schools themselves. There is widespread agreement among educationists and researchers that good schools and quality teaching are much more influential. The fact that non-government schools seem to produce superior results gives cause to examine the reasons for their success, not to dismiss them as unnecessary.

Aside from the problems described above, the major issue arising from this report is that parents making decisions about their children's schooling have very little information. They are forced to make evaluations based on generalised comparisons of entire school sectors. While non-government schools might show a superior performance on average, this does not necessarily apply to each individual school. Broad stroke comparisons about funding and performance are unfair to non-government and state schools alike.[11] School-by-school performance information should be more readily available, so that parents can make informed judgements, and investments, based on the merits of individual schools.

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Full Fee Places

Buying an Education assumes that students will need to buy a full-fee place at university, and that if they need to buy one it will be available. Neither assumption is one that parents can easily make for their children.

The vast majority of university places available for domestic students will continue to be government subsidised, with a student contribution charge that can be deferred. From 2005, universities will be able to enrol up to 35% of any course (except Medicine, which is 10%) as full-fee domestic undergraduates. Universities cannot enrol any domestic fee-paying students until all subsidised (HECS) places in that course have been filled. Therefore, government-funded places remain the core of the system.

The need for full-fee places only arises because of the Commonwealth government's quota system, under which it forces universities to offer set numbers of places, rather than letting supply and demand fix the appropriate number. The quota system causes enormous distortions in the higher education system, and it may be abolished before today's children enrol at university.[12] Whether or not quotas are abolished,

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the Labor Party has promised to abolish fees if it returns to office, which may be well before today's young school children go to university.

Even if full-fee places remain, it is unlikely that the number offered will be anywhere near the theoretical maximum of 35%. There are a number of reasons for this. For a start, there are unlikely to be enough students to occupy them. In 2003, there were only about 6% more prospective students than there were university places for them. Some individual courses may go to the full 35%, but they will be the exception rather than the rule. In July 2003, *The Age* reported that only twelve courses had hit the existing 25% limit for full-fee places.

Individual universities will have their own reasons—ideological, commercial, academic and practical—for not wanting to offer full-fee places, or offering fewer than the legal maximum. As they already do, most universities will restrict the full-fee places to students with similar academic profiles to the existing student body. Most full-fee students have been high academic achievers, who have missed out by small margins on courses requiring near perfect scores for admission.

Parents cannot know if their six year old has a small chance of missing out on the course of their choice by a few marks. Consequently, those who put money away for full-fee university places are tying up a lot of capital for a need that in all likelihood will not eventuate. They must do what is best for their child in all outcomes, and that is to provide them with quality schooling.

Conclusion

Buying An Education received substantial publicity but failed to provide sufficient evidence to support its claims. Parents who choose non-government schools for their children are not paying for a tertiary entrance score, they are paying for an education. Nevertheless, on average, non-government schools do offer an academic advantage.

The Australia Institute, in publishing this report, has done nothing to advance serious and constructive debate on education in Australia. Its underlying argument, that paying for one's education is inequitable and leads to lower standards, is simply nostalgic, and diverts attention from the far more important issues facing our schools, such as effective teaching and public accountability.

Endnotes

1 Danielle Teutsch, 'Education's $100,000 lottery', *The Sun-Herald* (18 January 2004).
2 Linda Doherty, 'School fees up but drift gathers pace', *The Sydney Morning Herald* (5 January 2004).
3 Ministerial Council on Employment, Education, Training & Youth Affairs, *National Report on Schooling 2001* (Melbourne: MCEETYA, 2003), Table 26.
4 see above.
5 Jennifer Buckingham, *Families, Freedom and Education: Why School Choice Makes Sense*, Policy Monograph 52 (Sydney: The Centre for Independent Studies, 2001).
6 Richard Denniss, *Buying An Education: Where Are The Returns Highest?* (Canberra: The Australia Institute, 2004), p.6.
7 Estimate based on numbers of Year 11 students in 2002: in Australian Bureau of Statistics, *Schools, Australia 2002*, ABS Cat. 4221.0, Table 9.
8 Sheldon Rothman and Julie McMillan, *Influences on Achievement in Literacy and Numeracy*, Longitudinal Surveys of Australian Youth Research Report 36 (Melbourne: Australian Council for Educational Research, October 2003).
9 Ken Rowe, *The Importance of Teacher Quality*, Issue Analysis 22 (Sydney: The Centre for Independent Studies, 2002).
10 Gary M. Marks, Julie McMillan and Kylie Hillman, *Tertiary Entrance Performance: The Role of Student Background and School Factors*, Longitudinal Surveys of Australian Youth Research Report 22 (Melbourne: Australian Council for Educational Research, November 2001).
11 Jennifer Buckingham, *Schools in the Spotlight: Performance Reporting and Public Accountability*, Policy Monograph 59 (Sydney: The Centre for Independent Studies, 2003).
12 The negative consequences of the quota system are detailed in Andrew Norton, *The Unchained University* (Sydney: The Centre for Independent Studies, 2002), esp. chapters 3 & 4.

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