

SAVE OUR SCHOOLS

Education Policy Comment

Labor Chooses Tax Cuts for the Rich Over Better Funding for Disadvantaged Schools

The Prime Minister has chosen to deliver Scott Morrison's billions in tax cuts for the rich while disadvantaged schools remain massively under-funded. New research shows that the PM should think again – the tax cuts are a complete waste. Fully funding disadvantaged schools will do more for economic growth than tax cuts for the rich.

Before the election, Anthony Albanese made it clear a Labor Government would deliver Morrison's unfair Stage 3 tax cuts: "we have no intention to change any of those policies," [he said](#). He has been just as emphatic in [statements since the election](#).

Analysis conducted by the [Parliamentary Budget Office](#) (PBO) shows that the Stage 3 tax cuts will cost \$184.2 billion over 2024-25 to 2031-32. It recently [revised this estimate](#) to \$206.6 billion. The original estimates revealed that the top 20 per cent of income earners would receive a tax cut of \$138.2 billion, that is, they will receive 75 per cent of the total benefit of the tax cuts. Those with a taxable income of \$180,000 or more would get \$83.2 billion. The top one per cent of income earners, with taxable incomes of over \$309,000 in 2021-22, will get a tax cut worth \$11.8 billion.

This is a massive windfall for the richest people in Australia. The [Australian Taxation Office](#) statistics show that only three per cent of taxpayers had a taxable income of \$180,000 or more in 2017-18. They represented just three per cent of all taxpayers. Only 142,882 people were in the top one per cent of taxpayers in 2017-18.

The common justification for tax cuts for the rich is that it will boost economic growth. It is an illusion as many studies have shown. All they do is increase incomes of the rich and increase income inequality and all the cost that brings to society.

A [recent study of all major reductions in taxes](#) for the rich across 18 OECD countries from 1965 to 2015 found that they increased income inequality. The tax cuts did not increase economic growth or reduce unemployment. The study included the Reagan and Thatcher tax cuts and cuts to the top marginal rates in Australia in 1987. It concluded:

Our findings on the effects of growth and unemployment provide evidence against supply side theories that suggest lower taxes on the rich will induce labor supply responses from high-income individuals (more hours of work, more effort, etc.) that boost economic activity...

Overall, our analysis finds strong evidence that cutting taxes on the rich increases income inequality but has no effect on growth or unemployment. [p. 541]

[Another recent study](#) analysed the impact of reductions in tax rates on high income earners in Australia in 1987, New Zealand in 1989 and Norway in 1992. It found that the income share of the top percentile increased by between 20 and 50 per cent in the three countries and the share of the top 0.1 percentile increased by between 50 and 100 percent. The tax reductions had no significant impact on economic output or other economic efficiency indicators.

These results add to the finding of many other studies that lower taxes on the rich, especially top marginal income tax rates, are strongly associated with a rising share of income going to top income earners. This is clearly demonstrated in the pioneering work of the French economist, [Thomas Piketty](#), who has plotted the course of the top incomes and inequality in many countries over the 20th century.

The Labor Government's insistence on going ahead with the tax cuts will deliver a windfall gain of \$138 billion over eight years to the top 20 per cent of income earners with no prospect of any economic gain. The Stage 3 tax cuts are simply a massive re-distribution of income to the rich that would be much better spent on health care, age care, the NDIS and public education, all of which face a funding crisis.

In the case of education, it could be used to increase the proportion of disadvantaged students who complete Year 12 or its equivalent and achieve national benchmarks in literacy and numeracy. It could also be used to reduce the vast achievement gap between rich and poor. Apart from improving the life chances of these students and increasing equity in education, it would also [boost economic outcomes](#), something which the tax cuts will not achieve as recent studies show.

The [Report on Government Services 2022](#) shows that nearly 30 per cent of low socio-economic status (SES) students did not complete Year 12 in 2021. The most recent [Closing the Gap Report](#) shows that 34 per cent of Indigenous adults aged 20-24 had not attained Year 12 or its equivalent in 2018-19. The [2021 NAPLAN report](#) shows that nearly 20 per cent of Year 9 students of low education parents did not achieve the national reading and numeracy benchmarks and 40 per cent did not achieve the writing benchmark. One-third of Indigenous students did not achieve the reading benchmark, 20 per cent did not achieve the numeracy benchmark and nearly 50 per cent did not achieve the writing benchmark.

In addition, there are large attainment and achievement gaps between advantaged and disadvantaged students. Only 72 per cent of low SES students completed Year 12 in 2021. Year 9 students of low educated parents are over four years behind students of high educated parents in reading, writing and numeracy. Indigenous students are about five years behind.

The large majority of disadvantaged students attend public schools. Estimates derived from the Report on Government Services 2022 show that 82 per cent of low SES students, 83 per cent of Indigenous students, 82 per cent of remote area students were enrolled in public schools in 2021 [Chart 1 below]. The proportions are similar in every state and territory. Moreover, 98 per cent of all disadvantaged schools are public schools based on figures

published by [the Australian Council of Educational Research](#). [Other research](#) shows that over 90 per cent of disadvantaged schools are public schools.

Despite these learning challenges faced by public schools, government funding for private schools increased by [four times that for public schools](#) between 2009 and 2019. Combined Commonwealth and state funding, adjusted for inflation, for Catholic and Independent schools increased by \$1,919 and \$1,893 respectively per student. In contrast, funding for public schools increased by a mere \$469 per student,

At present, public schools are massively under-funded to meet their challenges and will remain so indefinitely under current arrangements. This year, public schools in all states and territories except the ACT are funded at less than 90 per cent of their Schooling Resource Standard (SRS) [Chart 2]. The average level of funding is 87 per cent. In contrast, private schools, who serve only a small minority of disadvantaged students, are already funded at over 100 per cent of their SRS in all states and territories except the Northern Territory. The average level of funding is 104.2 per cent of their SRS.

By 2029, public schools in all states except the ACT will be funded at 91 per cent or less of their SRS [Chart 3]. There is no plan to get public schools to 100 per cent of their SRS. Under current arrangements public schools will be under-funded indefinitely. In contrast, private schools in all states except the Northern Territory will be funded at 100 per cent or more of their SRS. The cumulative under-funding of public schools for the years 2022 to 2029 inclusive will amount to about \$53 billion while private schools will be over-funded by about \$5.3 billion.

Despite large numbers of school students not achieving expected levels of achievement, the large achievement gaps between rich and poor and the massive under-funding of public schools, the new Labor Government continues its pre-election silence on how it will address the funding crisis in public schools. All we know is that the over-funding of private schools and the billions in tax cuts for the rich will not be touched. Privilege is sacrosanct.

Public education hardly rated a mention in the [Governor-General's presentation](#) of the Government's policy agenda at the opening of the new session of Parliament. All that the Government will promise public schools is that they will be "on the path of full and fair funding". This is not enough.

The Government must increase its role in funding public education. The arbitrary limit applied by the Coalition Government must be removed. The Commonwealth should fund public schools at more than 20% of their SRS to fulfil its key role in ensuring national equity in education.

The Commonwealth-State bilateral funding agreements must be re-negotiated to ensure that public schools are funded at 100 per cent of their SRS within the next five years. It must ensure that the states fulfil their responsibilities for public schools and increase their funding share. The new agreement must also end the skulduggery in the current agreement that allows the states to artificially boost their funding share by counting expenditures not

included in the measure of the SRS. This skulduggery is defrauding public schools of about \$2 billion a year.

The Albanese Government logically cannot use the Budget deficit as a reason not to promptly increase its funding of public schools and other human services while it wastes billions on tax cuts for the rich. It could use part of the billions being wasted on tax cuts for the rich. It could also reduce the over-funding of private schools. If Labor refuses to act, it will be seen as yet another government kowtowing to the rich and powerful.

By refusing to wind back the tax cuts for the rich, the Government is putting the future funding of public schools and disadvantaged students at risk. The Minister for Education cannot prevaricate any longer. He must enunciate a clear policy and timetable to redress the under-funding of public schools. Labor's path to "full and fair" funding cannot be a never-ending path.

2 August 2022

Trevor Cobbold
National Convenor

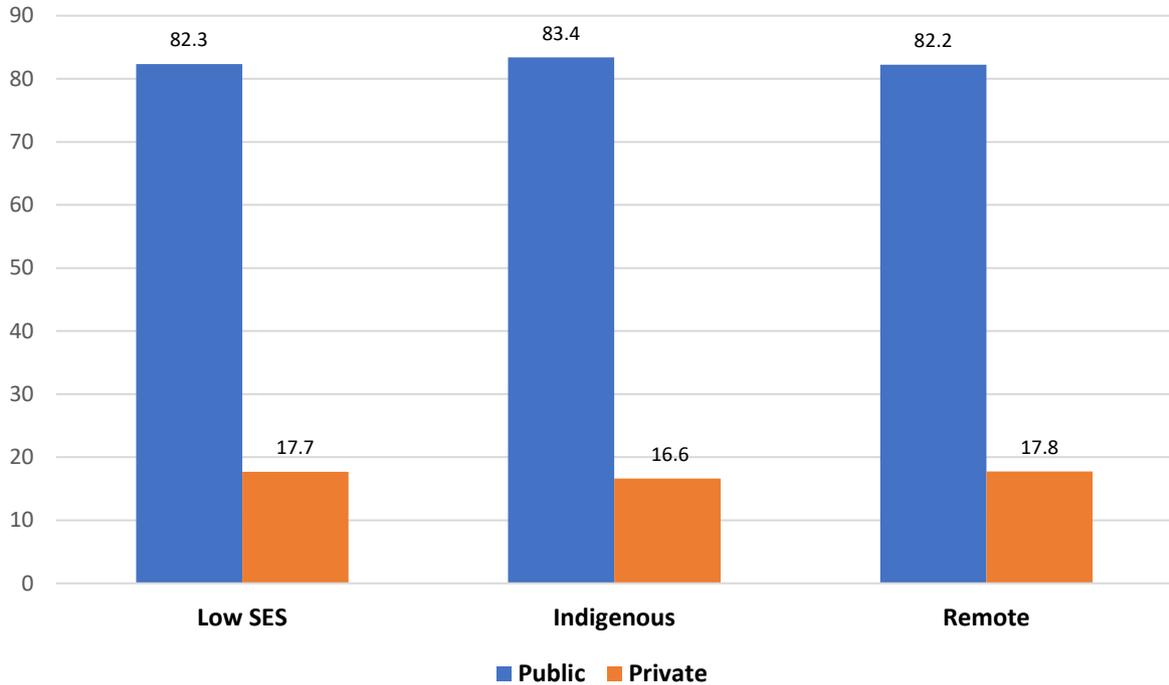
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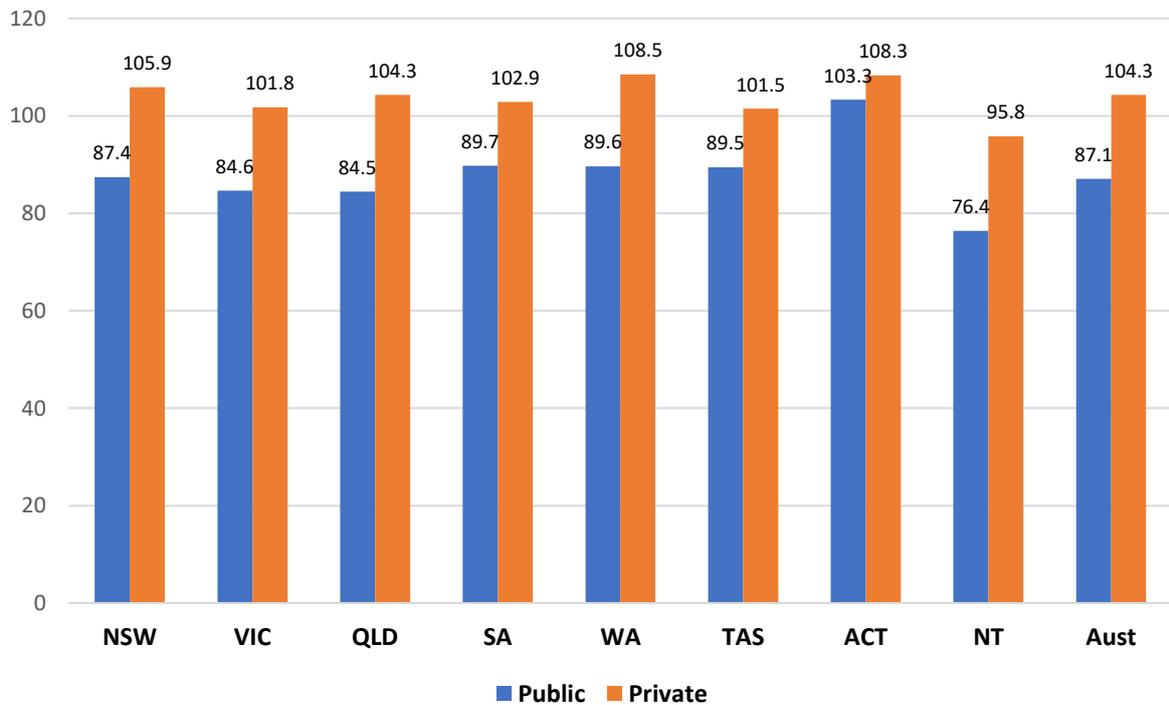
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Chart 1: Percentage of Disadvantaged Students in Public & Private Schools, 2020



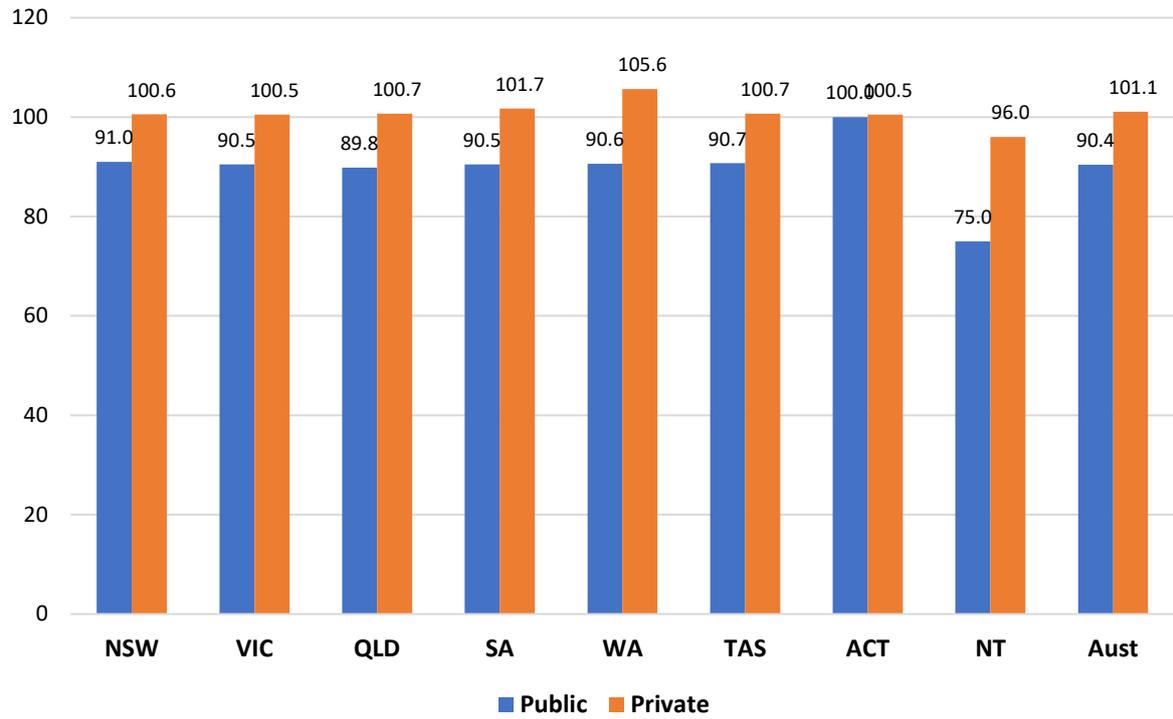
Source: Report on Government Services 2022.

Chart 2: Government Funding Share of Schooling Resource Standard, Public & Private Schools, 2022 (%)



Source: Senate Estimates, various. Commonwealth-State bilateral agreements, annual reports of regulatory agencies.

Chart 3: Government Funding Share of Schooling Resource Standard, Public & Private Schools, 2029 (%)



Source: Senate Estimates, various. Commonwealth-State bilateral agreements, annual reports of regulatory agencies.