

## **SUBMISSION TO THE REVIEW OF YEARS 9-12 IN TASMANIA**

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*Background note:* I was raised and educated in Tasmania, attending Smithton Primary School (a government primary school in the far north-west of Tasmania), the Hutchins School (an independent school in Hobart) and the University of Tasmania, from which I graduated with a first-class honours degree in Economics in 1979. Since then I have worked as an economist for some 35 years, including as Chief Economist of the Australia & New Zealand Banking Group (ANZ) and Chief Economist (Australia) for Bank of America Merrill Lynch. After living in Melbourne for almost 32 years, I returned to Tasmania in December 2014, and since June 2015 have been running my own economics consultancy business, Corinna Economic Advisory Pty Ltd. I am also a part-time Vice-Chancellor's Fellow at the University of Tasmania, and a non-executive Director of Hydro Tasmania. The views expressed in this submission are entirely my own, and should not be attributed to any of the aforementioned organizations, nor to any other organization or entity with which I am associated.

## Introduction

You have been asked by the Tasmanian Government to review the provision of school education in Years 9 through 12 in Tasmania to 'identify opportunities to improve attendance, retention and attainment outcomes'. Your primary focus is to be on curriculum provision and design, assessment and moderation procedures, attainment data, and workforce characteristics.

You have received a detailed submission from Professors Eleanor Ramsay and Michael Rowan of the University of Tasmania which sets out, in considerable detail, the basis for their belief that "something is deeply wrong with schooling in Tasmania" and that "it has been this way for many years". They show (convincingly, in my view) that where Tasmania's school system fails to meet the legitimate aspirations of Tasmanian children and their families, and of the wider Tasmanian community, is at the upper secondary level. They make their case for fundamental changes in the structure of upper secondary school education in Tasmania – to bring it more into line with other states – from a social justice perspective.

I completely endorse their arguments, and in particular endorse and commend the way in which they have assembled and interpreted the data which they use in support of their arguments.

My purpose in this submission is to add an economic perspective to the argument for fundamental reforms to the structure of upper secondary school education in Tasmania which I hope will be informative and helpful to the Review.

## Tasmania's economic performance

Tasmania is Australia's poorest State. Its per capita gross state product – an imperfect but nonetheless widely-used measure of economic performance – of just under \$50,000 in the 2014-15 financial year (the latest available) was some \$18,300 or 27% below the national average. Notwithstanding the effectiveness of Australia's taxation and social security systems in insulating Tasmanian households from the full effects of this economic under-performance, Tasmania's average per capita household disposable income of just under \$40,500 in 2014-15 was almost \$6,000 or 13% below the national average.

As a matter of arithmetic, per capita gross product can be disaggregated into three components as follows:

$$\frac{\text{Gross State product}}{\text{Population}} = \frac{\text{Employment}}{\text{Population}} \times \frac{\text{Hours worked}}{\text{Employment}} \times \frac{\text{Gross State product}}{\text{Hours worked}}$$

Which can in turn be expressed more simply thus:

$$\text{GSP per capita} = \text{participation rate} \times \text{average hours worked} \times \text{productivity}$$

As I showed in the *Tasmania Report* which I produced for the Tasmanian Chamber of Commerce and Industry in December last year, which I have attached as an Appendix to this submission, the 'gap' between Tasmania's per capita gross product and the national average can be attributed to:

- the proportion of Tasmania's population who were in employment in 2014-15 being 2.8 percentage points lower than the corresponding national average – which accounted for 41% of the difference in per capita gross product between Tasmania and Australia as a whole;
- the number of hours worked by those Tasmanians who were in employment during 2014-15 being 1.8 hours per week (the equivalent of more than three weeks over the course of the year) less, on average, than the corresponding national average - which accounted for another 41% of the difference in per capita gross product between Tasmania and Australia as a whole; and
- the average dollar value of goods and services produced by Tasmanians in employment in 2014-15 for each hour that they worked (otherwise known as labour productivity) being \$16 or 19% below the corresponding national average – which accounted for the remaining 18% of the difference in per capital gross product between Tasmania and Australia as a whole<sup>1</sup>.

I argued in the *Tasmania Report* that there were several reasons for each of the above differences in the three 'drivers' of per capita gross product as between Tasmania and the mainland. For example, some of the difference in employment-to-population ratios stems inevitably from the fact that a larger proportion of Tasmania's population is aged 65 and over than that of the rest of Australia. Likewise, some of the difference in labour productivity stems inevitably from the fact that intrinsically high labour productivity industries (such as mining and financial services) account for a smaller proportion of total employment in Tasmania than they do in Australia as a whole.

Nonetheless, the *Tasmania Report* also showed that factors such as these cannot explain *all* of the differences in the three 'drivers' of per capita gross product as between Tasmania and the rest of Australia. It argued that one factor which likely explained at least some of the differences in all three of these 'drivers' was Tasmania's long-standing lower levels of educational attainment and participation, compared with the rest of Australia.

### **The evidence on the economic importance of education**

There is now an enormous accumulated body of evidence demonstrating a strong correlation between educational attainment and economic outcomes – both for economies as a whole, and for individuals. This research suggests, for example, that each additional year of schooling among the adult population boosts long-run economic growth by between  $\frac{1}{4}$  and  $\frac{3}{4}$  of one percentage point per annum – or by between 6 and 19% in the long run, after controlling for other factors that also influence long-run economic growth<sup>2</sup>.

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<sup>1</sup> See in particular pp. 16-19 of the *Tasmania Report*, attached as an Appendix to this submission.

<sup>2</sup> Eg, Robert Barro, 'Education and Economic Growth', *Annals of Economics and Finance*, Volume 14, No. 2, 2013, pp. 301-328 (<http://down.aefweb.net/WorkingPapers/w571.pdf>); Sawami Matsushita, Abu Siddique and Margaret Giles, 'Education and Economic Growth: The Case of Australia', *Review of Applied Economics*, Volume 2, No. 1, 2006, pp. 111-127.

International research also demonstrates “a strong and direct relationship between the cognitive skills of national populations, measured by international tests of mathematics and science achievement, and countries’ long-run economic growth” and “moreover [there is] strong reason to believe that the relationship is causal”<sup>3</sup>.

In Australia, ABS data unambiguously show that the higher the level of education a person has attained, the *more* likely he or she is to be participating in the labour force, and the *less* likely he or she is to be unemployed, and the *more* likely he or she is to be in full-time rather than part-time employment<sup>4</sup>.

There is also clear evidence, from both Australian and cross-country studies, of a “strong and significant association between learning and productivity”<sup>5</sup>.

Given this evidence, the fact that a significantly smaller proportion of Tasmania's population, compared with that of the mainland, has any kind of post-secondary qualification, while conversely that a significantly higher proportion of Tasmania's population, compared with that of the rest of Australia, have no educational qualifications beyond Year 10<sup>6</sup>, is unarguably a major contributor to Tasmania's below-average rates of participation in employment, below-average hours worked, and below-average levels of labour productivity – and hence to Tasmania's poor overall economic performance.

### **Reasons for Tasmania's poor levels of educational participation and attainment**

Tasmania's persistently low levels of educational participation and attainment are *not* the result of insufficient levels of spending on (or investment in) education by successive Tasmanian Governments. As documented in the *Tasmania Report*, Tasmania spends significantly more than the national average on primary and secondary education per full-time-equivalent student<sup>7</sup>.

Rather, the evidence suggests that Tasmania spends what it spends on education less efficiently than other States and Territories. In particular, as shown in the *Tasmania Report*, Tasmanian government schools are, on average, smaller than government schools in other states, with the result that Tasmania spends more per student on non-teaching staff, and on non-staffing expenses, than other States and Territories<sup>8</sup>.

However, this is not the only reason why Tasmania spends relatively more per student on school education but gets poorer results.

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<sup>3</sup> Eric Hanushek and Ludger Woessman, *Universal Basic Skills – What Countries Stand to Gain*, OECD, May 2015, p. 22.

<sup>4</sup> See p. 34 of the *Tasmania Report*, attached as an Appendix to this submission.

<sup>5</sup> Australian Workforce and Productivity Agency, *Human capital and productivity – literature review*, March 2013, p.4. See also Australian Treasury, *Raising the level of productivity growth in the Australian economy*, submission to the House of Representatives Standing Committee on Economics, August 2009.

<sup>6</sup> See pp. 35-38 of the *Tasmania Report*, attached as an Appendix to this submission.

<sup>7</sup> See p. 40 of the *Tasmania Report*, attached as an Appendix to this submission.

<sup>8</sup> See p. 41 of the *Tasmania Report*, attached as an Appendix to this submission.

Professors Ramsay and Rowan have presented you with data that – in the absence of 'official statistics' on the costs of running each school – strongly suggest that the structural separation between Years 7-10 and Years 11-12 in the Tasmanian government school system together with the much greater number of courses offered by the Tasmanian colleges (compared with what is available at Years 11 and 12 in other States) results in higher per-student costs, on average, than in other States and Territories<sup>9</sup>.

And even in the absence of such data, it stands to reason that providing Year 11 and 12 courses in physically separate facilities – each with their own Principal and other management roles, administrative and other support staff, counsellors and advisors, as well as sports grounds and equipment, assembly halls, and the like — will necessarily entail higher per student costs than in other States are provided as part of larger entities to students from Year 7 or 8 through Year 12.

If this relatively more expensive system of delivering senior secondary education to Tasmanian students produced demonstrably superior results – for example, a higher proportion of Tasmanian students than of students in other jurisdictions attaining Year 12 qualifications, or Tasmanian students attaining higher ATAR scores, on average, than students in other States and Territories – then it would be easy to defend the Tasmanian system as representing a worthwhile additional investment in the future of Tasmania and its people.

However, it is demonstrably not the case that Tasmania's structurally different, and more expensive, system delivers superior results.

On the contrary, not only does Tasmania's system deliver inferior results at a higher per-student cost – but, as Professors Ramsay and Rowan argue in their submission, Tasmania's system puts barriers in the way of greater participation in Years 11 and 12, especially by students who don't live in Tasmania's four major cities, or who come from socio-economically disadvantaged backgrounds. And these barriers are re-inforced by long-standing cultural practices such as referring to students' end-of-year-10' celebrations as "Leavers' Dinners", which conveys the suggestion that Year 10 is an appropriate point of exit from the education system, rather than merely an important way-station<sup>10</sup> (although fortunately this term is becoming less commonly used, at least by media organizations).

## **Recommendations**

I strongly support the ten recommendations made by Professors Ramsay and Rowan in part VII of their Submission – for the reasons outlined in this submission, as well as for the reasons they give in theirs – and hope that the Review will do likewise.

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<sup>9</sup> Eleanor Ramsay and Michael Rowan, *State of Tasmania Years 9-12 Education Review*, Submission to the Review of Years 9-12 Education, September 2016, p. 18.

<sup>10</sup> See for example my op-ed article, "Just don't call them leavers' dinners, please", published in the Launceston *Examiner* newspaper on 8<sup>th</sup> November 2011, and included as an Appendix to this submission.