



The impact of the GFC and education costs on Australian school enrolments by sector

**Prepared by
Australian Development Strategies Pty Ltd**

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Introduction

The Australian Bureau of Statistics recently released Bulletin 4221.0 – Schools, Australia, 2010 which provides information on school enrolments by sector and level for Full Time Equivalent students.

A summary of this information is provided below in Table 1 and presented in the following charts.

In addition, the ABS provides Bulletin 6401.0 Consumer Price Index, Australia, showing the CPI by group, sub group and expenditure class, for the weighted average of Australian capital cities. These sub groups include an education component for Education, Preschool and Primary Education, Secondary Education and Tertiary Education.

For the following charts we have tracked the change in enrolments by sector for P-12 FTE students, alongside corresponding annual changes in CPI for the education component of the CPI, for the years 1996 to 2010.

It isn't possible to assign a weighting of the CPI component to the three education sectors: Government, Catholic or Independent, but it's a safe assumption that very little is attributable to the Government sector where no fees are charged and costs are very low.

For 2006/07, ADS used Household Expenditure Survey data from the ABS to obtain a figure of some \$212 per annum in charges for P-12 Government school students. By way of comparison, the annual figure for the Catholic sector was \$2044 per annum and for the Independent sector the figure was \$5921.

From these figures and our own experience, when we examine the costs of the Catholic and Independent sectors, it is reasonable to assume that the majority of CPI increases for the education component of the CPI can be attributable to fees and charges levied by the Independent school sector, especially at the secondary level.

These charges have been trending up relentlessly over recent years, not unlike electricity prices, and we have been wondering when the undoubted demand for private school education would run up against the reality of affordability, particularly with consumer confidence down, interest rates and mortgages trending up, and petrol prices held hostage to developments in oil exporting countries.

We know from our extensive school profiling that the conventional market forces of supply and demand operate within overlapping school catchments. One of our most common assignments in fact is to measure the impact of a lower fee entrant into a developing school area and provide some guidelines for a competitive fee structures in a mature, competitive market. Our model tells us if Independent or Catholic or Government enrolments are higher or lower in a given catchment than predicted, from national modelling and also the extent to which fees for the sectors are higher or lower than predicted. For example, when Independent fees are more than \$1500 or so per annum above the predicted affordability levels, then students are lost to the local Catholic or Government sectors.

It is reasonable to assume the same position applies at the national aggregate level: in other words, growth of independent or private school enrolments nationally will begin to slow if fee increases continue to outstrip increases in family incomes.

We are currently upgrading our database to include the latest data on fees and charges collected from the MySchool website and these fees and charges are about ten percent ahead of our estimates, so the MySchool school fees and charges data clearly includes the broad range of building funds, uniform charges, computer levies, travel and music levies and so on which are increasingly loaded on top of annual tuition fees by Independent schools. We will have these figures, along with estimates of 2010 enrolments, for each one of Australia's 38,000 Census Collectors Districts within a few weeks.

Summary

Since 1996 the proportion of students in Government schools has fallen steadily by a total of 5.2 percent, from 70.8 percent to 65.5 percent of total students. Most of this loss has been gained by Independent schools which have increased their market share by 4.4 percent, from 9.7 percent to 14.1 percent. The Catholic sector has also increased 0.9 percent, from 19.5 percent to 20.4 percent.

However, when we look at the annual gain in market share by the three sectors, and compare it with price increases for Education, we see that the annual picture is more volatile.

There were consistently strong gains in market share for Independent schools from 1998 to 2003 as the Education CPI dropped from 6.4 percent in 1997 down to a steady 5 percent. However, this annual gain for the Independent school sector dropped significantly from 2003 to 2006, as school fees rose by up to 7.7 percent in 2004 and 6.2 percent in 2005.

The Independent sector recovered back to 2003 levels of about 0.4 percent per annum gain in market share in 2008, after the Education CPI dropped to almost 4 percent in 2007. Then came the GFC, which has seen annual market share gain for the Independent sector in free fall, down to 0.1 percent per annum, despite CPI Education increases increasing only slowly back to 5.7 percent.

It seems that when the Education CPI and Independent school fees are rising above 5 percent annually, the market share gain for independent schools drops and then recovers if the CPI again drops below 5 percent. With the Education CPI and Independent fees now rising by more than 5 percent, and these cost pressures overlapping the GFC, Independent annual market share gains are at their lowest level in the past 14 years, since 1996.

When we look at the three sectors concurrently since 1996, in graph as well as tabular form, we see the net gains for the Independent sector have occurred mainly from net losses in the Government sector. Some of the Government school sectors losses however, about one in four, have gone to the Catholic sector.

We also know from our individual school profiles and national modelling that many parents send their children to a Government school for their initial Years, then to the Catholic sector and finally to the Independent sector. This movement up the fee scale for parents occurs as the families

gain control of their mortgage burden, typically through a second more secure income as the last child starts school. This means the Catholic sector is often losing older students to Independent schools as it gains younger students from Government schools. Delays in this process by a year or more are fairly straightforward for a family to arrange if economic pressures arise, resulting in a temporary boost in the Catholic sector at the expense of the Independent sector and we see this trend in the charts below.

Over the past 14 years, we see the Government schools have been losing students mainly to the Independent sector in good economic times from 1996 to 2003 (with a slight dip for the Asian economic bubble of 2000/01). But when annual fee increases (as measured by the Education CPI) peaked at almost 8 percent in 2004, this pattern was broken for the Independent schools. However, as noted in the preceding paragraph, the lower fee Catholic sector then took over, to continue taking market share from Government schools.

Finally we saw the GFC from 2007/08 and Government annual market share losses have improved at the expense of the Independent school sector, with the Catholic sector improving its position again in 2010, as the lower fee substitute for the Independent school sector as our economy enters a period of political instability and a lack of consumer confidence.

In summary, while the Government sector has been confronted by a continual loss of market share since 1996, it seems that the rate of this loss is reduced when annual fee increases by Independent schools exceed more than 5 percent per annum or when there is an economic shock, such as the Asian tech bubble or the GFC. During these periods, annual market share gains are often transferred from the Independent sector, to the lower fee Catholic sector.

At the present time for example, the annual loss of market share from the Government sector is at its best position in 14 years, while gains to the Independent and Catholic sectors are both on an equally low 0.1 percent.

We conclude that there is indeed a price pressure point for the Independent school sector. It is about five percent per annum and if it exceeds this rate of price increase in a time of economic uncertainty, then market share gains drop to near zero.

However, the long term pressure on the Government sector to devise a better administrative model to reward its best teachers and retain the support of parents remains, and this pressure will increase once more, when and if confidence returns to Australian consumers.

School Level	Year	FTE Students				Market Share				% Change From Previous Year		
		Government	Catholic	Independent	Total	Government	Catholic	Independent	Total	Government	Catholic	Independent
Primary school	1996	1,367,680	349,940	131,026	1,848,646	73.98%	18.93%	7.09%	100.00%			
	1997	1,367,552	351,416	137,669	1,856,637	73.66%	18.93%	7.41%	100.00%	-0.33%	0.00%	0.33%
	1998	1,372,915	353,895	143,818	1,870,628	73.39%	18.92%	7.69%	100.00%	-0.26%	-0.01%	0.27%
	1999	1,379,374	355,684	151,352	1,886,410	73.12%	18.86%	8.02%	100.00%	-0.27%	-0.06%	0.34%
	2000	1,386,575	358,592	159,779	1,904,946	72.79%	18.82%	8.39%	100.00%	-0.33%	-0.03%	0.36%
	2001	1,385,373	361,884	166,360	1,913,617	72.40%	18.91%	8.69%	100.00%	-0.39%	0.09%	0.31%
	2002	1,392,283	365,864	174,686	1,932,832	72.03%	18.93%	9.04%	100.00%	-0.36%	0.02%	0.34%
	2003	1,384,299	365,087	181,223	1,930,609	71.70%	18.91%	9.39%	100.00%	-0.33%	-0.02%	0.35%
	2004	1,378,976	366,725	187,545	1,933,246	71.33%	18.97%	9.70%	100.00%	-0.37%	0.06%	0.31%
	2005	1,371,028	368,942	193,610	1,933,580	70.91%	19.08%	10.01%	100.00%	-0.42%	0.11%	0.31%
	2006	1,366,882	370,921	199,745	1,937,549	70.55%	19.14%	10.31%	100.00%	-0.36%	0.06%	0.30%
2007	1,382,554	378,483	209,999	1,971,037	70.14%	19.20%	10.65%	100.00%	-0.40%	0.06%	0.35%	
2008	1,377,193	380,470	217,645	1,975,307	69.72%	19.26%	11.02%	100.00%	-0.42%	0.06%	0.36%	
2009	1,380,908	384,193	223,926	1,989,027	69.43%	19.32%	11.26%	100.00%	-0.29%	0.05%	0.24%	
2010	1,390,543	390,670	230,985	2,012,198	69.11%	19.42%	11.48%	100.00%	-0.32%	0.10%	0.22%	
Secondary school	1996	862,861	265,808	175,214	1,303,882	66.18%	20.39%	13.44%	100.00%			
	1997	873,142	271,760	181,416	1,326,318	65.83%	20.49%	13.68%	100.00%	-0.34%	0.10%	0.24%
	1998	876,820	276,460	185,794	1,339,075	65.48%	20.65%	13.87%	100.00%	-0.35%	0.16%	0.20%
	1999	879,628	280,155	192,744	1,352,527	65.04%	20.71%	14.25%	100.00%	-0.44%	0.07%	0.38%
	2000	873,756	283,236	198,520	1,355,512	64.46%	20.90%	14.65%	100.00%	-0.58%	0.18%	0.39%
	2001	874,488	287,061	205,783	1,367,332	63.96%	20.99%	15.05%	100.00%	-0.50%	0.10%	0.40%
	2002	876,486	291,346	214,259	1,382,091	63.42%	21.08%	15.50%	100.00%	-0.54%	0.09%	0.45%
	2003	880,669	295,742	223,321	1,399,733	62.92%	21.13%	15.95%	100.00%	-0.50%	0.05%	0.45%
	2004	881,271	299,633	229,744	1,410,648	62.47%	21.24%	16.29%	100.00%	-0.44%	0.11%	0.33%
	2005	884,590	304,311	236,482	1,425,382	62.06%	21.35%	16.59%	100.00%	-0.41%	0.11%	0.30%
	2006	890,645	308,751	242,399	1,441,794	61.77%	21.41%	16.81%	100.00%	-0.29%	0.06%	0.22%
2007	894,881	312,759	248,339	1,455,979	61.46%	21.48%	17.06%	100.00%	-0.31%	0.07%	0.24%	
2008	896,060	316,544	256,563	1,469,166	60.99%	21.55%	17.46%	100.00%	-0.47%	0.06%	0.41%	
2009	902,334	320,312	260,713	1,483,358	60.83%	21.59%	17.58%	100.00%	-0.16%	0.05%	0.11%	
2010	901,255	322,954	261,161	1,485,369	60.68%	21.74%	17.58%	100.00%	-0.16%	0.15%	0.01%	
Pre - Yr 12	1996	2,230,541	615,747	306,239	3,152,528	70.75%	19.53%	9.71%	100.00%			
	1997	2,240,695	623,175	319,085	3,182,955	70.40%	19.58%	10.02%	100.00%	-0.36%	0.05%	0.31%
	1998	2,249,735	630,355	329,612	3,209,702	70.09%	19.64%	10.27%	100.00%	-0.30%	0.06%	0.24%
	1999	2,259,002	635,838	344,096	3,238,937	69.75%	19.63%	10.62%	100.00%	-0.35%	-0.01%	0.35%
	2000	2,260,331	641,828	358,299	3,260,458	69.33%	19.69%	10.99%	100.00%	-0.42%	0.05%	0.37%
	2001	2,259,861	648,944	372,143	3,280,949	68.88%	19.78%	11.34%	100.00%	-0.45%	0.09%	0.35%
	2002	2,268,769	657,210	388,944	3,314,924	68.44%	19.83%	11.73%	100.00%	-0.44%	0.05%	0.39%
	2003	2,264,968	660,829	404,544	3,330,342	68.01%	19.84%	12.15%	100.00%	-0.43%	0.02%	0.41%
	2004	2,260,247	666,358	417,289	3,343,894	67.59%	19.93%	12.48%	100.00%	-0.42%	0.08%	0.33%
	2005	2,255,617	673,254	430,092	3,358,963	67.15%	20.04%	12.80%	100.00%	-0.44%	0.12%	0.33%
	2006	2,257,527	679,673	442,144	3,379,344	66.80%	20.11%	13.08%	100.00%	-0.35%	0.07%	0.28%
2007	2,277,435	691,242	458,339	3,427,016	66.46%	20.17%	13.37%	100.00%	-0.35%	0.06%	0.29%	
2008	2,273,252	697,014	474,208	3,444,474	66.00%	20.24%	13.77%	100.00%	-0.46%	0.07%	0.39%	
2009	2,283,242	704,505	484,638	3,472,385	65.75%	20.29%	13.96%	100.00%	-0.24%	0.05%	0.19%	
2010	2,291,798	713,624	492,146	3,497,567	65.53%	20.40%	14.07%	100.00%	-0.23%	0.11%	0.11%	



Table 1, above preceding page. Shows FTE students by sector and level from 1996 to 2010 inclusive. The first section in blue shows the raw figures, the second green sections shows market share and the third section, coloured tan, shows the percentage change from the previous year.

The raw figures show the Govt sector is marking time, failing to gain any significant slice of new students from natural population growth. The green section shows this decline in market share terms, with a small gain for the Catholic sector and a larger 4% gain for the independent sector. The tan section shows the more volatile annual changes in market share where the Govt sector is in consistent decline, the Catholic sector enjoyed growth for all but 1998, and the Independent sector growth has invariably been positive.

The Independent sector figures are negatively correlated with Govt sector figures (minus .91) and the Catholic sector figures (minus 0.41), meaning the Independent sector is gaining most of its enrolments from the Govt sector, but some from the Catholic sector (with a small number of pairs the latter correlation is barely significant). There is no statistical link between the Govt sector and the Catholic sector.

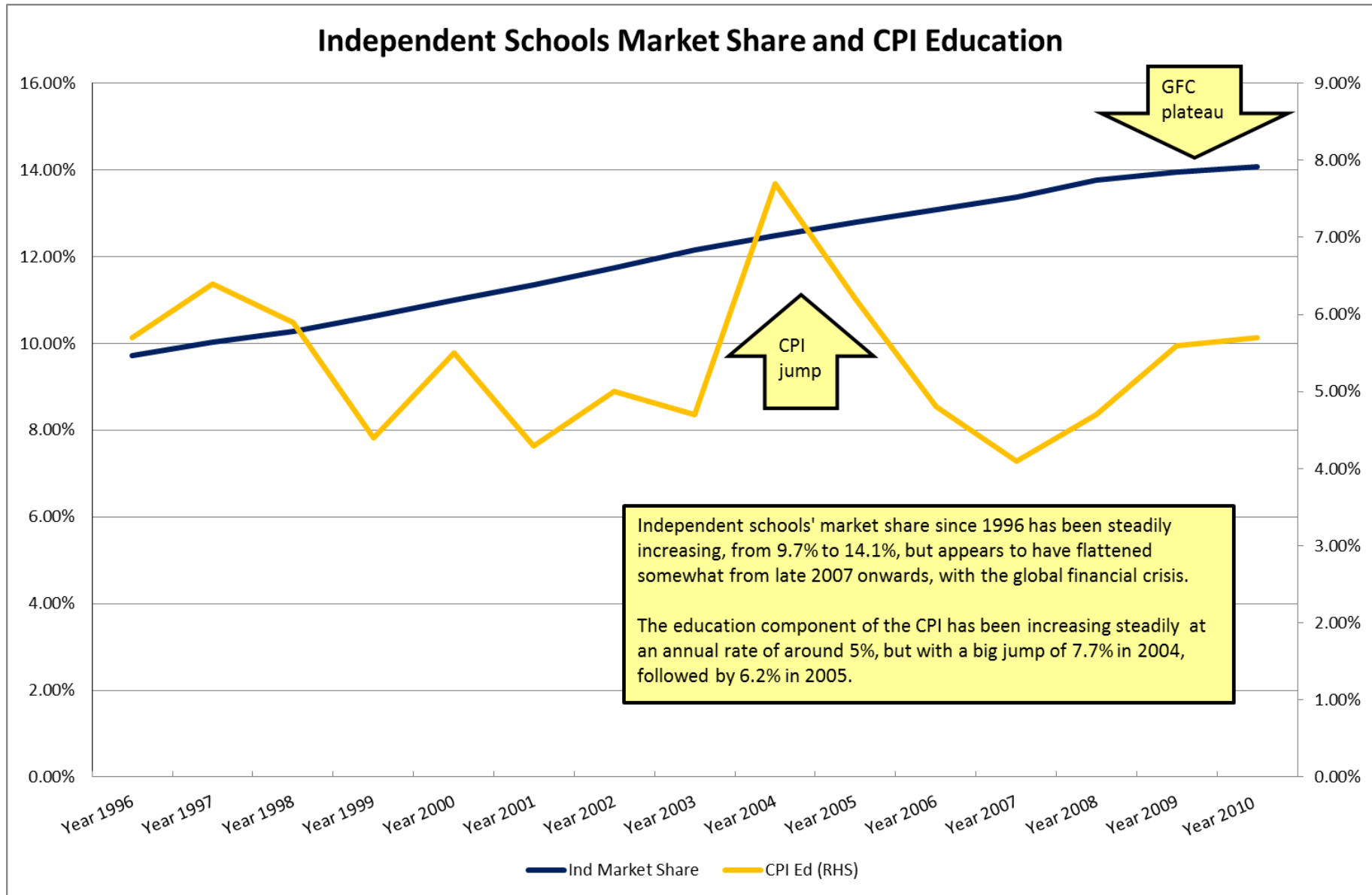
Year	Government Market Share	Catholic Market Share	Ind Market Share	CPI Ed (RHS)	Ann Change Govt Market Share	Ann Change Catholic Market Share	Ann Change Ind Market Share
Year 1996	70.75%	19.53%	9.71%	5.70%			
Year 1997	70.40%	19.58%	10.02%	6.40%	-0.36%	0.05%	0.31%
Year 1998	70.09%	19.64%	10.27%	5.90%	-0.30%	0.06%	0.24%
Year 1999	69.75%	19.63%	10.62%	4.40%	-0.35%	-0.01%	0.35%
Year 2000	69.33%	19.69%	10.99%	5.50%	-0.42%	0.05%	0.37%
Year 2001	68.88%	19.78%	11.34%	4.30%	-0.45%	0.09%	0.35%
Year 2002	68.44%	19.83%	11.73%	5.00%	-0.44%	0.05%	0.39%
Year 2003	68.01%	19.84%	12.15%	4.70%	-0.43%	0.02%	0.41%
Year 2004	67.59%	19.93%	12.48%	7.70%	-0.42%	0.08%	0.33%
Year 2005	67.15%	20.04%	12.80%	6.20%	-0.44%	0.12%	0.33%
Year 2006	66.80%	20.11%	13.08%	4.80%	-0.35%	0.07%	0.28%
Year 2007	66.46%	20.17%	13.37%	4.10%	-0.35%	0.06%	0.29%
Year 2008	66.00%	20.24%	13.77%	4.70%	-0.46%	0.07%	0.39%
Year 2009	65.75%	20.29%	13.96%	5.60%	-0.24%	0.05%	0.19%
Year 2010	65.53%	20.40%	14.07%	5.70%	-0.23%	0.11%	0.11%

Table 2 at left is an extract of the bottom right section of Table 1. It also includes the CPI figures since 1996 for the education component of the CPI (central purple column).

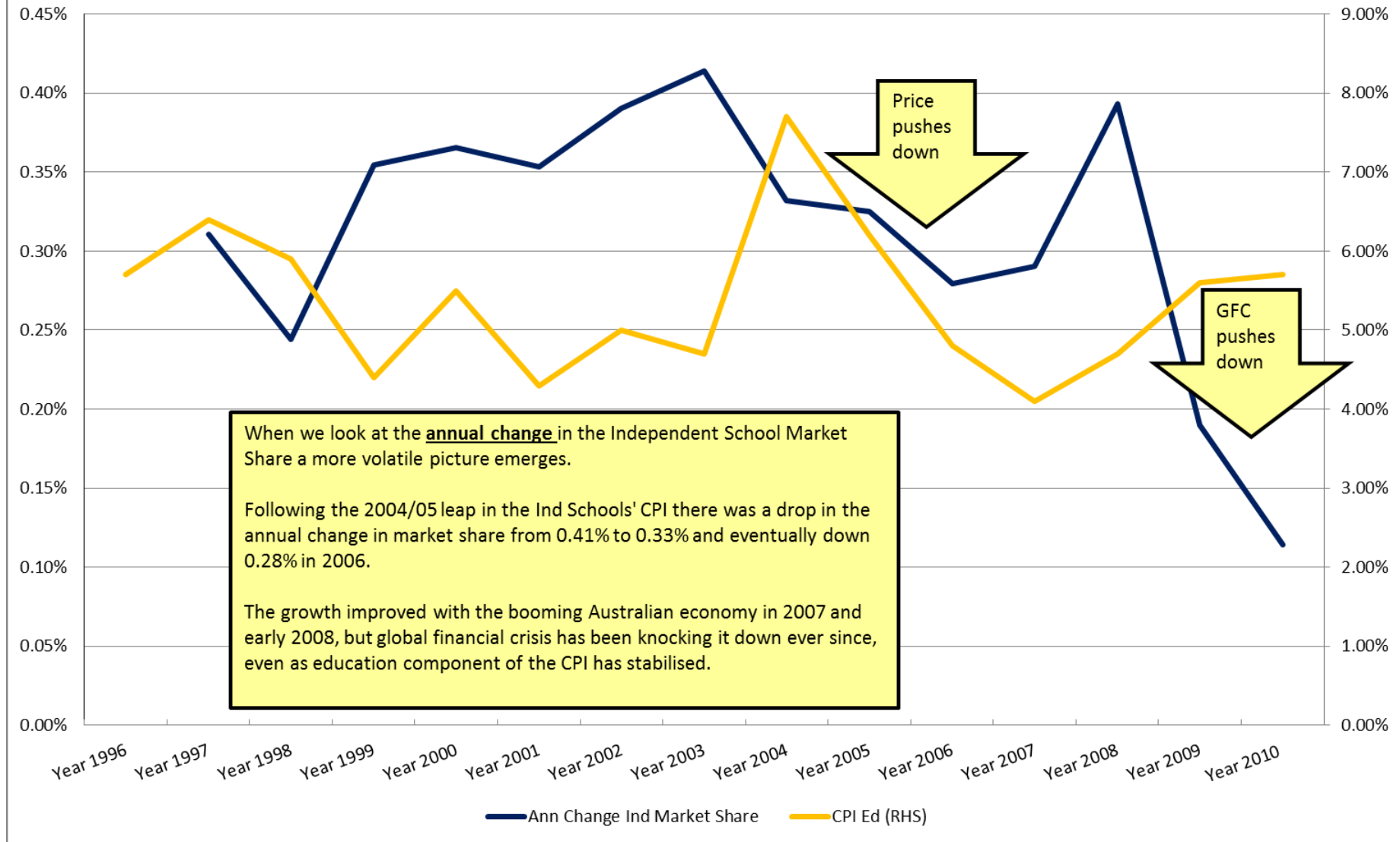
As education costs increase, the enrolment growth for Independent schools decreases, but increases for the Catholic sector. Neither is Sign.

In other words, in more expensive times, the Catholic sector acts as a lower fee substitute for the Independent sector and the Govt sector is also more secure. See charts below for more details.

Independent Schools Market Share and CPI Education



Annual Change Independent Market Share and CPI Educatiaon



Annual Change in Market Share by Sector and CPI Education

