

FEDERALISM AND SCHOOLING REFORMS IN AUSTRALIA



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ABSTRACT

This thesis reveals how federalism has shaped schooling reforms and policy making processes in Australia, a portfolio characterized by extensive and contested overlap of state and Commonwealth government roles. This is done through qualitative case studies of two landmark reforms from the 1990s - Victoria's Schools of the Future reforms and the Commonwealth's Choice and Equity reforms – based upon semi-structured interviews with policy actors and documentary analysis of material from personal and institutional archives, parliament, media, government and other sources.

The thesis traces each of these reforms from their origins through to their implementation with the decisions, motivations and obstacles faced by policy makers examined at each 'stage' of the policy making process. Next, the lens is widened to encompass the broader and dynamic intergovernmental context in which each reform was pursued, to consider the direct and indirect ways each reform and the policy making process were shaped by Australian federalism. This is the first close-range, comparative, multi-level qualitative study of schooling reforms from an intergovernmental perspective in Australia. The thesis contributes new knowledge and a deeper understanding of these landmark reforms, of the operation of Australia's federal system, and of the dominant models of federalism and policy making. This thesis finds that while each reform was pursued unilaterally, each reform was also significantly and indirectly shaped by features of Australia's federal system.

Contrary to widely held views on the restrictive nature of tied grants and perverse effects of overlapping roles, the study found the Victorian government possessed policy autonomy and the capacity to innovate in their response to what they considered state issues. Tied grants from the Commonwealth helped rather than hindered reform. The Victorian reforms were also enhanced by the spread of policy ideas, movement of policy actors and the availability of comparative data on school spending and outcomes in other states. These findings indicate the existence of a policy 'laboratory' and the protective 'insurance' effects of overlap, two claimed advantages of federal systems.

The Commonwealth likewise pursued its reform package unilaterally in line with its own analysis of the policy problem and its own policy agenda. Yet the Commonwealth's new school funding model was derived from models already in operation at state level, and constitutional provisions meant

that the Commonwealth relied on state cooperation to implement its reforms. Vertical fiscal imbalance in its favour enabled the Commonwealth to provide funding to private schools beyond their estimated need. This constitutional, fiscal and political settlement contributed to what was ultimately a sub-optimal policy decision, poor resource allocation and slow, partial implementation. Simultaneous to the Choice and Equity reforms, the Commonwealth unilaterally reengineered tied grants for schooling to the states to make them more prescriptive and punitive, and attempted to extract other school funding from the states. The Commonwealth had very limited success in both instances of coercion. Conversely, evidence of highly productive collaboration was found in the case of the Adelaide Declaration on National Goals for Schooling for the Twenty-first Century.

These findings demonstrate that the coordinate and cooperative models of federalism, as well as the collaborative and competitive models of intergovernmental relations, are simplistic and unrealistic reflections of the fluidity and complexity of intergovernmental relations and governance in each of the case studies. The use of these models risks imposing unproductive and artificial boundaries on policy thinking and practices. The thesis supports a reconceptualisation of Australian federalism as *concurrent federalism*, which recognizes that policy actors act unilaterally and pragmatically in pursuit of their own policy goals within a shared policy sphere, but are still shaped by the contours and institutions of Australia's federal system. This term also allows for the fact that intergovernmental relations took a variety of forms simultaneously – combative relations on one issue did not prevent constructive work on other issues. This was much more dynamic than previously conceived. This flexibility of Australia's federal system is likely to be of value in the face of the increasing complexity of public policy problems.

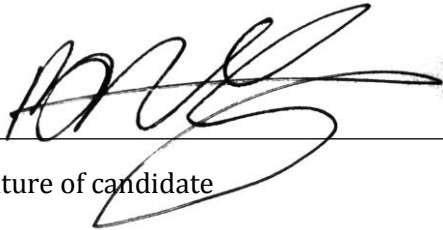
Furthermore, the thesis finds that models of policy making, such as the Australian Policy Cycle (Bridgman and Davis 1998) and the 'streams, entrepreneurs and windows of opportunity' model (Kingdon 1984), are useful analytical tools in a federal system, even where their descriptive value differed in relation to the two case studies.

Findings from this study indicate that state governments are more effective at developing and implementing schooling reforms. Concurrency, tied grants, intergovernmental comparisons and movement of policy actors and ideas can enhance policy making processes and the policy laboratory effect to maximize policy responsiveness and effectiveness. But these benefits are undermined when tied grants become prescriptive and punitive, especially if the conditions are determined unilaterally by the Commonwealth.

DECLARATION

I certify that:

- I. this thesis comprises only my original work towards the *Degree of Doctor of Philosophy*, except where indicated in the preface;
- II. due acknowledgement has been made in the text to all other material used;
- III. the thesis is fewer than the maximum word limit in length, exclusive of tables, maps, bibliographies and appendices.



Signature of candidate

31 January 2016

Date

PREFACE AND ACKNOWLEDGEMENTS

I was drawn to this doctoral research topic from my years working as a political adviser, speech writer and historian at Commonwealth and state levels, and my years teaching introductory courses in policy making and Australian politics at the University of Melbourne. In both settings, there seemed to be a large disconnect between widely-held views on federalism especially with respect to how policies were made (or should be made), and how governments interacted (or not) when undertaking reforms. This was doubly so for school policy reforms, where the theory and practice of policy making and politics were tangential to rich debates on school funding, curriculum, pedagogy, teacher training and other important reform efforts. This thesis is an exercise in joining these disparate worlds. It was hoped then, and now, that this deeper understanding of pivotal policies and the influences that shaped them sheds light on current reform attempts and might ultimately improve education policies and outcomes.

It was a particularly exciting time to be researching the intersection of schooling, policy making and federalism in Australia. In my first year of enrolment, Julia Gillard, federal education minister in the Rudd government, commissioned the Review of Funding for Schooling (better known as the ‘Gonski Review’) which was the most comprehensive review of Commonwealth and state schooling policies in four decades, and the Council of Australian Governments signed the National Education Agreement and the Intergovernmental Agreement of Federal Fiscal Relations. In the years that followed, the states and the Commonwealth continued to pump out largely unilateral initiatives in schooling, backtracked on the 2008 agreements, and then began a fresh round of intergovernmental negotiations to support the Commonwealth’s National Plan for School Improvement (the ‘Gonski reforms’). Federalism and schooling remained high on the national political agenda with the change of Commonwealth government in 2013. Prime Minister Abbott established a White Paper on the Reform of the Federation, which marked schooling as a portfolio in particular need of examination and readjustment to roles and responsibilities. It is encouraging to see national leaders recognise the importance of my research subjects. But a moveable feast can pose challenges to the researcher. The constant activity in schooling and federalism reinforced my decision to examine the most influential schooling reforms in recent history at state and Commonwealth level. Through my research, I developed a much deeper appreciation of the opportunities and constraints facing policy makers and educators in Australia. Both of these groups

of professionals have devoted their careers to trying to make the world a better place, amidst continuous change and pressures from multiple sources. My first expression of gratitude goes to these educators and policy makers.

It was a pleasure and privilege to undertake my research at the University of Melbourne in the School of Social and Political Sciences and the Melbourne Graduate School of Education. These bodies were a stimulating place to work, contributed invaluable funding support in the form of PhD stipends and travel grants and provided a collegial workspace which contributed to lifelong friendships with other researchers, especially Ha, Mahtab, Rozanna, Jennifer, Fakhriyyah, Nieda, David and Sabrina. I am also deeply thankful to my good friends beyond the Ivory Tower, who provided welcome diversion and reassurance, especially Natasha, Magenta and Katherine.

I was lucky to have Brian Galligan - a giant in the field of federalism – as my primary supervisor. His long leash in the early and middle stages of my candidature were instrumental in developing my skills and my own approach to the research puzzles. Towards the end, his close reading of the completed thesis draft led to the refinement and strengthening of my argument. I am deeply thankful for his critical eye, his early confidence in my capabilities, and his enthusiastic introduction of me to others in the field.

Jack Keating's supervision was another boon. His many years as a teacher and policy adviser infused his work as an education policy researcher and activist. His untimely death to cancer was deeply saddening. His work and enthusiasm for better schooling outcomes and equity live on.

Richard James stepped in during the final year of my candidature as my new, secondary supervisor. I am grateful for his thoughtful suggestions and generous encouragement during the final stages.

Thanks to my students from courses in Australian politics and policy making. Teaching you was a valuable and rewarding experience that triggered new lines of inquiry, deeper reflection and kept my own love of learning burning strong. Thank you also to my employers and colleagues from the Mitchell Institute at Victoria University, especially Mark Burford and Sara Glover, for bringing me into your team while I was wrapping up my thesis and allowing me to put my research and skills to immediate use on contemporary policy issues. It is a pleasure to work with such fine minds devoted to improving education in Australia.

I am greatly appreciative of all the policy makers and other expert practitioners that generously shared their knowledge, perspectives, time and personal archives with me. This thesis is so much richer for this generosity. In alphabetical order, they are Brian Caldwell, Bill Daniels, Chris Evans, Don Hayward, David Kemp, Graeme Marshall, John Roskam, and those who asked to remain anonymous. Extra special thanks to John Roskam for generously loaning me many boxes of archival material from his time in Hayward's ministerial office, which was tremendously helpful. I am also indebted to the talented public servants in the secretariat of the Ministerial Council for Education, Employment, Training and Youth Affairs (now the Education Council) for providing me with access to their archives, and to Henry Levin and Jeff Henig for inviting me to be a Visiting Scholar with them at Teachers College, Columbia University in New York city. This experience was richly rewarding and opened my eyes to the astonishing complexity of school funding and federalism in the United States and contributed to a deeper understanding of arrangements in Australia and Canada.

Sincere thanks also goes to the talented researchers who have tread ahead of me, especially Louise Watson, Jenn Wallner, Robyn Hollander, Alan Fenna and Richard Simeon, whose work I found very exciting and helpful, each of whom provided me with cherished encouragement along my PhD journey. Truly I stand on the shoulders of giants. To Katherine Firth and the team from the University of Melbourne's Thesis Bootcamp, thank you for your excellent program, reassuring advice and the motivation to keep going when I was in the doldrums and overwhelmed by task of pulling it all together while also being the primary caregiver of very young, charming but dependent children who took after their mother in the sleep department.

My emerging research findings were presented at numerous conferences over the course of my candidature, including those of the Australian Political Studies Association, the Canadian Political Science Association, the Australian Association for Research in Education, the International Political Science Association, the Comparative and International Education Society and the Australian Social Policy Association, as well as at smaller seminars and guest lectures, where I received helpful feedback from peers and audience members. Some findings and arguments from this doctoral research have also been published or broadcast in the Australian and international media, in a book chapter on Australian education policy for an edited volume on Australian social policy, and in a policy paper for the Melbourne School of Government, which led to additional constructive feedback.

While this thesis has been shaped by all these wonderful people, the work, and any errors therein, remain my own.

Researching and writing this PhD has been engrossing, stimulating and richly rewarding experience. It has also been hard work – especially when combined with other work responsibilities and the equally engrossing, hard, stimulating and rewarding work of raising my two sweet, curious and energetic children who were born during my candidature.

Making it through the PhD marathon wouldn't have been possible without the steadfast support of my family, especially my parents Rose and John, who have always believed in me and encouraged me to pursue my dreams, my sisters, Megan, Naomi and Emily, my parents-in-law, and my beloved husband, Chris, all of whom helped to care for Lenny and Wally, and for me, to get me to the finish line. Words cannot express how grateful I am and how much I love you all. To Chris especially, you were my steadfast rock of support, greatest champion and expert proof-reader. I look forward to many more happy years with you.

This thesis is dedicated to you, my darling family.

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ACRONYMS AND ABBREVIATIONS

ACARA	Australian Curriculum, Assessment and Reporting Authority
ACER	Australian Council for Educational Research
ACSSO	Australian Council of State School Organisations
AEC	Australian Education Council
AEU	Australian Education Union
AGPS	Australian Government Publishing Service
AGSRC	Average Government School Recurrent Costs
ALP	Australian Labor Party
APC	Australian Policy Cycle
BAA	Backing Australia's Ability Policy
BGA	Block Grant Authority
CAF	Council for the Australian Federation
CCD	Census Collection District
CEO	Chief Executive Officer
CSC	Commonwealth Schools Commission
CSF	Curriculum and Standards Framework
COAG	Council of Australian Governments
DEET	Commonwealth Department of Employment, Education and Training
DEETYA	Commonwealth Department of Employment, Education, Training and Youth Affairs
DEST	Commonwealth Department of Education, Science and Training
DETYA	Commonwealth Department of Education, Training and Youth Affairs

DSE	Directorate of School Education
EBA	Enrolment Benchmark Adjustment
ERI	Education Resources Index
FAGs	Financial Assistance Grants (untied grants from the Commonwealth to states)
HFE	Horizontal fiscal equalization
IEU	Independent Education Union
IPA	Institute of Public Affairs
ISCA	Independent Schools Council of Australia
LAP	Learning Assessment Program
MCEETYA	Ministerial Council on Education, Employment, Training and Youth Affairs
NBEET	National Board of Employment, Education and Training
NCEC	National Catholic Education Commission
NEPS	National Equity Programs for Schools
NPPs	National Partnership Payments (a specific and more recent form of tied grants)
NSW	New South Wales
NSW CEC	New South Wales Catholic Education Commission
OECD	Organisation for Economic Cooperation and Development
OSR	Office of Schools Review
Public schools	Also known as government schools or state schools
Private schools	Also known as nongovernment schools.
QPF	Quality Provision Framework
SCPS	Senior Commonwealth Public Servant

SGB	School Global Budget
SES	Socio-Economic Status
SPPs	Special Purpose Payments (tied grants from the Commonwealth to the states)
SOTF	The Schools of the Future Reforms
US	The United States of America
VFI	Vertical fiscal imbalance
VCE	Victorian Certificate of Education
VSTA	Victorian Secondary Teachers Association

CHAPTER 1: WHY A STUDY OF FEDERALISM AND SCHOOLING REFORMS IN AUSTRALIA?

It is said that policy making is different in a federation (Davis et al. 1993). But it has not been established *how* it is different. The question lingers despite an international, decades-long revival of interest among scholars and policy makers in federalism (Watts 2008: 4). In Australia, there have been many reviews and initiatives in recent decades seeking to better understand and enhance the institutions, intergovernmental relations and policy outcomes in Australia's federal system.¹ Yet, the manner and extent to which federalism shapes policy making remains highly contested and poorly understood. This is doubly so for policy domains characterised by extensive overlap in the roles and responsibilities of state and Commonwealth governments, such as schooling.²

Most Australian texts on policy making pay scant attention to federalism. For example, the most recent edition of the seminal *Australian Policy Handbook* (5th edition, Althaus, Bridgman and Davis 2013) contains just three fleeting references to federalism in its 300 pages, including the important acknowledgement that policy instruments differ across jurisdictions and that the Commonwealth has powers, responsibilities and revenue streams not open to the states (2013: 92). A section of the Routledge series on public management entitled *Making Public Policy Decisions* (Alexander and Lewis 2015) does not include any references to federalism in the index or, indeed, any in-depth discussion of how it permeates policy making, implementation or outcomes. Where federalism is included in greater detail in books on policy making or Australian politics, it is usually in a discrete chapter with minimal discussion or acknowledgement of its effects on policy or governance

¹ These include the White Paper on the Reform of the Federation, the Productivity Commission's *Productive Reform in a Federal System* (2005), the establishment of the Council of Australian Governments (COAG) and later the COAG Reform Council, the introduction of the Goods and Services Tax, The National Reform Agenda, the creation of the Council for the Australian Federation (CAF), the Intergovernmental Agreement of Federal-Financial Relations and National Partnership Payments, the National Education Agreement, and the National Education Reform Agenda.

² This thesis uses 'state' to refer collectively to state and territory governments, and 'Commonwealth government' rather than 'Australian Government' or 'Federal Government'.

contained in the other chapters.³ Even books devoted to the topic, such as *Intergovernmental Relations and Public Policy* (Galligan, Hughes and Walsh 1991), tend to contain more questions than answers. A further limitation of these texts is that they focus primarily or exclusively on the Commonwealth at the expense of equally important and complex activities of the states and territories, the latter having retained primary responsibility for most policy areas and services that directly impact on residents' lives, such as schooling, health, transport, the environment and policing. Internationally, the puzzle is equally present. There is no scholarly consensus on the effect of federalism on policy making or implementation; however, "a sense of pessimism ... runs through much of this literature" (Wallner 2009: 2-3).

To understand how Australian federalism influences Australian policy making, it is necessary to examine in detail the policy making processes and outcomes in areas of concurrent state and Commonwealth government involvement. It is also necessary to go beyond the Commonwealth government and examine what happens at the state level. These examinations should be detailed in order to explore, challenge and complement the broad assumptions embodied in the standard meta-analyses of Australian federalism.

Australia's school funding arrangements are an ideal case for such examination. School funding is a highly contested and opaque policy area. Indeed, school funding and policy in Australia is one of the areas in which the roles and responsibilities of the Commonwealth and states are least clearly delineated and exhibits a high and growing degree of concurrency (CPELL 2004; DPM&C 2014a; DPM&C 2014c). The Commonwealth-state dynamic – particularly the mismatch of government roles and spending, and inadequate policy coordination – is said to contribute to worsening academic results for Australian students of all backgrounds and to the widening gaps in schooling outcomes between schools serving the most and least disadvantaged groups in Australia (Review of Funding for Schooling 2011; Bolt 2014; Need to Succeed 2015; Connors and McMorrow 2015). Yet this intergovernmental dimension is generally neglected in studies of school funding and education policy reform, especially with regard to any indirect ways in which federalism may influence policy processes and funding decisions.

³ See, for example, university textbooks for students of Australian politics, such as *Politics One* (Ward and Stewart 2010, 4th ed.) and *Government, Politics, Power and Policy in Australia* (Woodward, Parkin and Summers 2010, 9th ed.)

Australian federalism – as both a governance structure and a set of dynamic institutions and processes – has likewise undergone significant transformation in recent decades. There is now an unprecedented level of Commonwealth activity in traditional state policy domains, resulting in highly complex financial and fiscal intergovernmental relations and reduced clarity in the delineation of state and Commonwealth powers and responsibilities when formulating and implementing reforms (DPM&C 2014a; DPM&C 2014b Twomey 2008). These transformations have received mixed and conflicting analyses from scholars and policy actors. While most agree that the structure and processes of Australia’s federation need reform, they disagree on the nature and degree of the reforms. These discussions currently carry greater urgency and weight as a result of the White Paper on the Reform of the Federation, commissioned by the prime minister in 2014. Importantly, this review has identified the schooling portfolio as a priority for reform.

Research on school funding, policy making and federalism rarely overlap to any significant extent. There has been no rigorous academic analysis of federalism in relation to schooling policy reforms in Australia from the disciplines of either political science or education. It is not known *how* and to *what extent* federalism shapes policy making in the schooling portfolio at either the state or Commonwealth level. Consequently, it is not known whether Australia’s school funding arrangements are more influenced by its federal system as distinct from political objectives, conjecture or economic concerns. Dominant models of federalism and of policy making appear simplistic and disconnected from the complex reality of this policy space. Yet, a deep understanding of the dynamic system within which schooling policies are made and implemented, and of any interaction between this system and policy making processes, is an essential foundation on which to critically assess the performance of those policies, as well as a necessary precursor to any future reforms to either schooling or federalism.

This thesis draws together the literature and debates on federalism, policy making and school funding to investigate the nature of and effect of federalism on school funding reforms at a state and Commonwealth level in Australia between 1992 and 2001. The thesis addresses three primary, interrelated research questions:

1. What conceptual model of federalism best reflects the school funding policy sphere in Australia? Coordinate, cooperative, coercive or collaborative?

2. What is the nature and degree of influence of Australia's federal system on individual instances of school funding reform at the state and Commonwealth levels?
3. What are the strengths and limitations of dominant conceptual models of federalism when applied to school funding reforms, and of dominant conceptual models of policy making when applied to concurrent policy fields in Australia?

This introductory chapter commences by positioning the research problem in its theoretical and policy context. Having identified current debates and inadequacies of previous research, it then presents the research agenda and central hypotheses, before proceeding to an outline of the conceptual framework, methodology and case studies. The chapter concludes with an overview of the thesis structure.

Australian school funding: A shared, complex and contested policy settlement

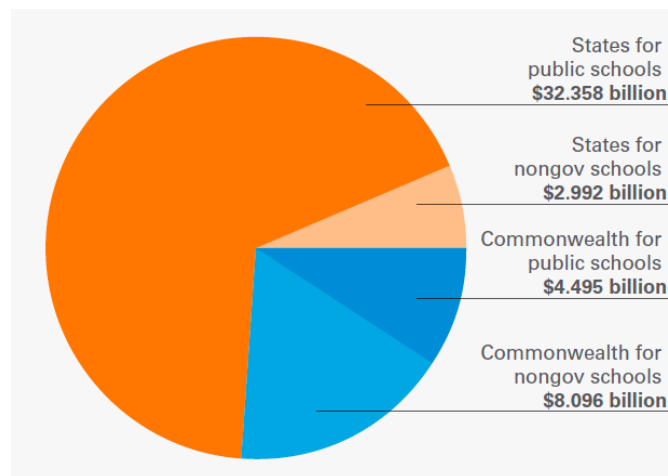
Under Section 51 of the Australian Constitution, education – and, by implication, school funding and provision – is a residual power that rests with the state governments. Commonwealth involvement before 1973 was minimal and occurred on an *ad hoc* basis and characterised by tied grants (Harman and Smart 1982; Wilkinson et al. 1997). However, since the implementation of the recommendations of the 1973 Report of the Interim Committee, *Schools in Australia*, (better known as the Karmel Report) the Commonwealth has been systematically funding both public and private schools with recurrent tied grants and under a range of programs.⁴ This involvement is largely (but not entirely) based on Section 96 of the Constitution, which allows the Commonwealth to make payments to the states on such terms and conditions as it sees fit. This involvement is also supported by a 1946 amendment to Section 51 (xxxiiA) of the Constitution which gave the Commonwealth power to make laws “with respect to the provision of ... benefits to students” in all states of Australia, and has been interpreted to support Commonwealth funding for education.

Commonwealth involvement has increased under every successive Commonwealth government to the extent that education policy and school funding have become a shared responsibility between

⁴ This thesis uses the terms public schools (also known as government schools or state schools) and private schools (also known as nongovernment schools) for readability. These terms are all in common usage in Australia. References by ministers to nongovernment schools, for example, can thus be understood in this context as references to private schools.

the Commonwealth and the states. Both levels of government fund, regulate and develop policies for public and private schools. The degree to which responsibility is now shared is unique among federations (Warren 2006: 2). The states have retained legislative and regulatory responsibility for education and training, and continue to run public school systems, develop and implement curriculums, school completion certificates and professional registrations. The state governments also provide 76 per cent of public funding for schools in Australia, of which they direct 90 per cent to public schools (Productivity Commission 2015). But a large number of national agreements and Commonwealth tied grants influence the nature of state legislation, regulation, programs and the overall operation of their school systems.⁵ Additionally, the Commonwealth is largely and increasingly responsible for the funding of private schools in what has become an entrenched political settlement.

FIGURE 1. RECURRENT GENERAL FUNDING FOR SCHOOLS, BY LEVEL OF GOVERNMENT AND SCHOOL SECTOR. TOTAL \$47.9 BILLION. DATA FROM PRODUCTIVITY COMMISSION 2015 REPORT ON GOVERNMENT SERVICES, TABLE 4.1.



This settlement, particularly the Commonwealth government’s expanding role in funding and policy, has been largely driven by a combination of political ideology and political pragmatism, rather than constitutional fidelity or federal principles such as subsidiarity. It has also resulted in significant administrative overlap, inconsistency and complexity, with different governments and sectors possessing their own funding, reporting and accounting systems. It is also widely thought to

⁵ 2012-2013 school funding figures, drawn from Productivity Commission 2015, *Report on Government Services*, Productivity Commission, Canberra, January.

contribute to a growing social stratification between and within these school sectors. Australia's public schools enroll two-thirds of the school student population, but educate the overwhelming majority of children from disadvantaged backgrounds: 85 per cent of Indigenous Australians, 78 per cent of students with a disability, 83 per cent of remote and very remote students, and 79 per cent of those from the lowest socio-economic quartile. Conversely, private schools cater disproportionately and increasingly to those from affluent and middle class backgrounds (Review of Funding for Schooling 2011: 10; Need to Succeed 2015). Unlike private schools in other advanced democracies, Australia's private schools receive a large proportion, often even a majority, of their recurrent revenue from governments while maintaining the right to charge tuition fees and choose which students they enroll (OCED 2013).⁶

While shared or overlapping policy responsibilities are not uncommon in Australia, a study by the University of Melbourne's Centre for Post-Compulsory Education and Lifelong Learning found that school funding was one of the areas in which the roles of the Commonwealth and states were least well delineated, integrated or clearly assigned, with funding decisions made independently by each government, rather than through intergovernmental planning (CPELL 2004: 13). More recent studies such as the Review of School Funding (2011) reached the same conclusions, as did the former head of Victoria's education department, Richard Bolt, who had previously held senior positions with state and Commonwealth departments and agencies. In 2014, he condemned the lack of coordination between levels of government and the vast number and variety of Commonwealth tied grants and special programs for schools as "distracting", "perverted" and often "at cross purposes" to state programs, saying these had detrimental effects on educational outcomes and equity (Bolt 2014). This discord, and competition among different governments and school sectors, has been said to limit the ability of intergovernmental institutions, such as the Ministerial Council of Education, Employment, Training and Youth Affairs (MCEETYA), to share information and to coordinate and negotiate national policies based on shared objectives (Jones 2008).

⁶ It is only relatively recently that private schools in Australia have received government funding to support their running costs. In the 1870s and 1880s, most of Australia's colonies passed legislation that effectively excluded private schools from receiving government funding, as part of their new free and secular systems of public schools. This funding settlement came under increasing pressure from the 1960s, leading to funding assistance from both levels of government.

Unsurprisingly, there is now widespread consensus among education policy analysts that the current school funding settlement is inefficient, inconsistent, opaque, and obstructive (e.g. DPMC 2014c; Review of Funding of Schools 2011; Lingard 2000; McMorrow and Connors 2015; Jones 2008; Angus 2007; Dowling 2007; Caldwell 2007; SEWREC 2004; ISCA2006; Australian Education Union 2004; Pascoe and Karmel 2000; Need to Succeed 2015). These criticisms have come from the states, the Commonwealth, and all school sectors. They have been couched in economic, sociological, historical, ideological and philosophical terms, including frequent appeals to the 'common good' or 'social justice' (e.g. Connors 2007; Furtado 2001) and national productivity and cohesion (Review of Funding for Schooling 2011; Business Council of Australia 2006). School funding arrangements are frequently discussed in the daily newspapers, by think tanks and even in the Council of Australian Governments (COAG). It is little surprise that schooling is a major focus of the current White Paper on the Reform of the Federation.

While a great deal has been written on Australia's school funding arrangements, this material tends to focus on the relative funding shares of public and private schools or outcomes in terms of test scores, social equity or 'choice'. While interesting and important, these pedagogical, political and ideological debates are tangential to this study of the role of federalism and policy making. Research from the education community on school funding has been defined by trenchant ideological, political, sectoral and geographical fragmentation between the major actors in schooling policy. There is also an unhelpful focus on the Commonwealth, which provides only about a quarter of all school funding, and only about 10 per cent of the funding for public schools (see Figure 1), at the expense of state governments and the broader, dynamic federal system in which both levels operate. Subsequently, the influence of this broader system on the development, implementation and outcomes of school funding policies is not understood.

School funding and provision in Australia and the overlapping responsibilities between Commonwealth and state governments, and school sectors, therefore possess many of the defining elements of a 'wicked policy problem' (Rittel and Webber 1973). This refers to policies that are hard to define and analyse, have multiple and conflicting policy goals and consistencies, are socially and financially complex and are unable to sit within the responsibilities of one level of government or organisation. In the Australian Public Service Commission's analysis (2007: iii, 304) such problems require thinking that "grasps the big picture" and explores the interrelationships among the full range of underlying causal factors. My study design explicitly responds to this challenge by

examining landmark state and Commonwealth reforms in this “big picture”, with attention to the interrelationships and the often unacknowledged ways that federalism (institutions, intergovernmental relations and political settlements) can directly *and* indirectly shape each element of the policy process.

This chapter now turns to the parallel debate and the bigger picture – federalism in Australia – to explore these underlying factors.

Federalism in Australia

The dynamic nature of federal systems

The operation of a federal system of government entails dynamic relations between multiple levels of government, political institutions, and processes that are embedded in and interact with society. W.S. Livingstone correctly identified that social forces shape political institutions (1956: 1-2). However, as Alan Cairns (1977) and Donald Smiley (1987) have pointed out, this causal relationship goes both ways; once created, institutions themselves channel and shape societies. Consequently, there is considerable diversity among federations, even where similar institutions or constitutional provisions exist, due to different political practices and cultures.⁷ The relationships between a society, its constitutions, federal structures, processes and political institutions are not static but involve continual interaction. In Ronald Watts’ words:

The pressures within a society may force a particular expression in its political institutions, processes and behaviour; but these institutions and processes, once established, in turn shape the society by determining the channels in which these social pressures and political activities flow... It is in the interplay of the social foundations, the written constitutions and the actual

⁷ A classic illustration of this is the operation of the similar formal constitutional amendment procedures in Switzerland and Australia. Both involve referendums for ratification of constitutional amendments requiring double majorities i.e. a majority of the federal population and majorities in a majority of constituent units. In Switzerland, over 110 formal constitutional amendments were made between 1891 and 1999 (over three-quarters of those submitted by Parliament and submitted to referendum), but in Australia, of 42 attempts since 1901, only eight have succeeded. Similarly, in Canada, the initial constitution was quasi-federal, containing some central overriding powers more typical of unitary systems. These powers have fallen into complete disuse, the reversal of Australia’s centralist trend (Watts 2008).

practices and activities of government, that an understanding of the nature and effectiveness of a federal political systems is to be found. (2008: 21)

While the dynamic nature of federations, their internal institutions, processes and cultures, and their continual interaction with society is widely acknowledged within the literature, there has been no significant analysis of federalism in its broadest sense with regard to education and school funding in Australia.

Competing models of federalism and modes of intergovernmental relations

There are many competing approaches to the study of federalism and conflicting conceptual models of federal systems and intergovernmental relations within federations. In the Australian context, four models are repeatedly discussed in public, academic and governmental spheres. These four models differ in their approach to concurrency – where roles and responsibilities overlap or are shared between regional (state) and national (Commonwealth) governments. These overlapping roles and responsibilities may be constitutionally given or politically assumed. The first two models of federalism could be understood as describing the division of responsibilities, while the second two models of federalism could be understood as describing intergovernmental processes and operations; these will each be discussed in greater depth in the following chapter.

The first model is *coordinate federalism*. Under this model, the delineation between the powers and responsibilities of the national and regional governments is clear and each level can get on with the business of government without necessarily co-opting the other levels. The Canadian system is said to approach this model (Wilkins 2008), especially with regard to schooling.

Under the second model, *cooperative federalism*, different levels of government share responsibilities in most policy areas and must work cooperatively in order to get things done in the system. Germany is referred to as an example of cooperative federalism. Germany's federal government has legislative and executive powers over most policy domains, while the *lander* governments are responsible for policy implementation and service delivery, which they can adjust to regional needs and preferences.

The third model, *competitive federalism*, is sometimes used in conjunction with coordinate federalism or cooperative federalism. Roles and responsibilities are sorted using competition between the state governments and the federal government (vertical competition), or between two

or more state governments (horizontal competition). Cliff Walsh (2006: 53) argues that competition is the dominant mode of intergovernmental relations in federal systems, with cooperation playing a lesser role within this competitive paradigm. Brian Galligan (2008) agrees, likewise arguing that competition among governments is most important for understanding processes of federal reform. In this interpretation, overlap and duplication between different levels of government in a single policy area are instances of sorting within a healthy federation and are ultimately welfare enhancing.

The fourth model, *collaborative federalism*, refers to an arrangement located between coordinate and cooperative federalism, in which state and federal governments have distinct responsibilities within a shared policy domain, such as health, and work in partnership to develop and achieve shared policy goals in an effort to reduce duplication and inefficiencies. The individual roles and responsibilities are determined jointly through intergovernmental councils and agreements, rather than through competition. This model was much lauded by former prime minister, Kevin Rudd (2007; 2008) and former treasurer, Wayne Swan (2008) and the initial period of the Rudd government was highly collaborative, with the Council of Australian Governments (COAG) forging the Intergovernmental Agreement of Federal Financial Relations. This model has been criticised for being more rhetorical than practical and open to abuse. For example, Australia's Commonwealth government has been said to use its greater financial clout, constitutional power and tied grants to push its agenda on the states, resulting in what could better be described as 'coercive' or 'opportunistic' federalism (Twomey 2007; Moran 2008; Fenna 2008; Anderson and Parkin 2010).

Disagreement exists over which model of federalism was intended by Australia's constitutional drafters. Gwynneth Singleton, Don Aitkin, Brian Jinks and John Warhurst (2003) and Alan Fenna (2007) argue that Australia at federation was organised on the principle of coordination, with Section 51 of the Constitution, in particular, stipulating the limits to Commonwealth power. Others, such as Brian Galligan (2008), Cliff Walsh (2005), Robyn Hollander and Haig Patapan (2007), argue that concurrency and competition were intentional features of the Australian Constitution, pointing to Section 96 which gives the Commonwealth power to make grants to the states on such terms and conditions as it sees fit (thereby providing constitutional legitimacy for involvement in state spheres of responsibility) and Section 109, under which the Commonwealth laws are given precedence over state laws should the two conflict. Brian Galligan goes so far as to say that concurrency is the defining feature of the Australian division of powers, with most Commonwealth

powers to be held concurrently with the states, and only a few to be held exclusively by the Commonwealth (Galligan 1995; Galligan 2008). Similarly, Robyn Hollander and Haig Patapan (2007) describe concurrency as lying at the heart of Australia's original federal pact. Australia, like many established federations, can be considered a hybrid of several models, due to the *ad hoc* nature of its development, with politicians and policymakers at all levels more interested in the expedient and pragmatic pursuit of political and policy goals than theoretical purity.

The Australian federation has several features that distinguish it from other federations. Of these, the most prominent and relevant to this study are: the high degree of shared functions between governments (such as school funding), a high degree of vertical fiscal imbalance (VFI) and horizontal fiscal equalisation (HFE) aimed at fiscal equalisation, vertical competition (competition between state and Commonwealth governments), and a strong centralising trend over time (Productivity Commission 2006; DPM&C 2014b, Fenna 2008). All of these political arrangements and processes have significantly influenced Australia's evolving school funding and policies.

Central debates and persistent questions

Federal systems of government have many potential advantages over unitary systems: they provide greater choice and diversity, they allow the customisation of policies and laws to meet local needs and differences, and they support competition and innovation, leading potentially to better designed policies and more economically efficient governments (Hueglin and Fenna 2006; Withers and Twomey 2007). In Australia, however, support for federalism appears lukewarm or qualified at best. There is a growing chorus across politics, business, academia and the wider community that Australian federalism is 'broken' or requires reform (Senate Select Committee on the Reform of the Australian Federation 2011; CEDA 2014). The most common complaints concern duplication, excessive bureaucracy and administration, cost shifting and 'buck-passing'. The most common suggestions for reform include the reallocation and clarification of powers and functions between the Commonwealth and the states, the reform of Commonwealth-state financial relations and the improvement of intergovernmental processes, usually through greater formalisation of intergovernmental councils and strengthening of intergovernmental agreements (e.g. Menzies 2013). Indeed, these suggestions were at the heart of the current Reform of the Federation White Paper's terms of reference and objectives (DPMC 2014a) and issues paper (DPMC 2014b).

Beliefs about the degree and extent that reforms are necessary vary widely among scholars and practitioners. On one side, Kenneth Wiltshire (2008), George Williams (2008), A. J. Brown (2007) and the Business Council of Australia (2006) argue for an overhaul of what they consider a dysfunctional system. On the other, scholars such as Brian Galligan (1995; 2008), Cliff Walsh (2006) and Jonathan Pincus (2006) argue that, on the whole, the Australian federation is operating well and that intergovernmental competition and overlap are signs of dynamism and the healthy sorting of roles. In a similar vein, Robyn Hollander (2010) has argued that concurrency serves a useful 'insurance' mechanism that protects against policy failure and provides necessary flexibility. Between these two extremes, scholars such as Anne Twomey (2007), Glen Withers (2007), Alan Fenna (2003) and Andrew Parkin (2003), advocate for the broad maintenance of federal structures, but with a sharper delineation of state and Commonwealth roles and responsibilities, reduced VFI and reduced use of tied grants – adjustments that they argue will enhance subsidiarity, accountability, durability and policy innovation.

School funding is repeatedly recognised as one of the areas most in need of federal reform. Yet no rigorous or scholarly study of federalism's effect on the creation or reform of individual school funding policies and how these relate to the broader school funding settlement has occurred. For example, how might Australia's federal system of government influence which policy instruments and institutions are employed, how they are used, and the involvement or influence of other governments at each stage of the policy making process? The most comprehensive review of school funding in almost 40 years, the 2011 Review of Funding for Schooling, widely known as the 'Gonski Review', spent little time considering this question, but still concluded that, while Australia's federal system of government offered opportunities for enhanced policy, current arrangements were ineffective and opaque. The review advocated greater cooperation between state and Commonwealth governments and greater clarity, while broadly maintaining the current division of responsibilities (Review of Funding for Schooling 2011).

Academic, government and popular analysis of Australia's federation has instead focused on constitutional and legal aspects, Commonwealth-state fiscal relations, broad trends such as centralisation, or the degree of concurrency. It has generally concerned itself with macro-level analyses (such as how the system is working overall, and what changes are needed) or focused on a specific case study, such as a joint health initiative or irrigation project. In the latter, studies generally examine how responsibilities are determined – coercively, collaboratively, or

competitively; the principles on which they are determined (subsidiarity, the 'national interest'); and whether this represents the best way of doing so (often in terms of expenditure). Attention is generally focused on the Commonwealth, rather than the interrelationship of governments and institutions, or the dynamics and processes. Research and public discourse is further limited by a tendency towards essentialism, viewing federalism as a static institutional or conceptual construct, thus ignoring the varied and complex processes and evolving relations and structures underpinning it (Galligan 2008). This is particularly disadvantageous, given that these dynamic processes and relations are significant in achieving or frustrating reforms.

Research agenda

This thesis brings together strands of research on federalism, public policy and schooling reform in order to address gaps in our understanding and offer new perspectives. To date, these parallel debates have not been integrated in a cohesive, coherent and rigorous academic study. Consequently it is not well understood how federalism has directly or indirectly influenced particular school funding reforms or the evolving school funding settlement more generally. It is also not known which model of federalism best reflects government roles and relations in this sphere. Similarly, the strengths and limitations of dominant models of policy making have not been simultaneously examined with respect to schooling reforms in federal systems

Throughout this thesis I argue that federalism is best understood as a dynamic and flexible organising structure, embedded in and interacting with other political institutions. This structure significantly shapes and constrains school funding policies, and the actions and reactions of policy actors and institutions. The study emphasises the interrelationship between these actors and institutions, as highlighted by Gwendolyn Gray (1991) in her study of federalism and health policy in Australia, and more generally by Livingstone (1956), Cairns (1977) and Smiley (1987). The reader is cautioned that research or reforms that ignore federalism or view it as static and separate are inherently limited. It is further argued that the prominent models of federalism – coordinate, cooperative, competitive and collaborative – are of limited explicative value as they fail to capture constantly shifting government activities and intergovernmental relations. The reality is more complex and full of greater possibilities.

Research design

Hypotheses

This thesis tests four hypotheses derived from debates within the literature and the guiding argument above. This literature is discussed in greater depth in the following chapter that develops the theoretical and conceptual framework of the thesis. The hypotheses are:

- i. that state and Commonwealth governments largely act autonomously when creating or reforming school funding policies. The influence of other contemporary governments in Australia, the Australian Constitution, intergovernmental institutions and so forth are minimal and indirect. They define the scope of reform but not the substance or detail. As such, it is further hypothesised that the Australian Policy Cycle (Bridgman and Davis 1998; 2004) and Kingdon's agenda-setting model of streams, policy entrepreneurs and windows of opportunity (1984) are useful conceptual models for understanding policy making processes employed by an individual government within a federal system, even in policy areas where responsibilities overlap;
- ii. that governments employ or engage with intergovernmental institutions and processes only when they deem it to be in their best interests, leading to differing uses of these institutions and processes according to political party, ideology, purpose, conjecture and support given to other governments and other policy actors. In other words, the form, strength and use of intergovernmental institutions, such as the ministerial councils for education, depend upon the constellation of actors, their objectives and opportunities. This underlines the flexibility of intergovernmental institutions, but also leads to relatively weak intergovernmental relations and intergovernmental agreements. This was the main argument presented by Martin Painter (1996: 106), who posited that "intergovernmental cooperation is often tactical, and it will normally be temporary because it coexists with competition and conflict within and across issues ... it occurs where parties see the possibility of mutual benefit." Peter Forsyth, Peter Carrol and Martin Painter (1995) and Patrick Weller (1995; 1996) have similarly argued that political dynamics are the most determinative factor in determining the presence and extent of cooperation, as have Robyn Hollander and Haig Patapan (2007) who emphasised the overriding influence of pragmatism on government decisions;

- iii. that other governments in Australia are affected in different ways, and respond in different ways to the reforms of the original reforming government. This response is shaped, in part, by political parties and political objectives as much as by institutional considerations (intergovernmental relations, institutions, structures and the constitution); and
- iv. that untied intergovernmental grants facilitate policy innovation at the state level, while tied grants can have mixed effects, particularly on state policy autonomy.

Methods

Case studies were used to investigate how and the extent to which federalism affects policy making in the school funding portfolio in Australia. The case study approach was chosen because it is best suited to the in-depth study of complex phenomena over which the researcher has little control. The case study is by nature an in-depth, multifaceted investigation, generally employing qualitative comparative research methods and drawing upon a variety of data sources (Orum and Feagin 1991). It is particularly pertinent when 'how' questions are being asked, for building or expanding explanatory typologies, when the phenomenon under investigation is contemporary, recent or ongoing, and when an extensive description is required (Yin 2009: 4; Bennett and Elman 2007). These features are all present in my study. Additionally, qualitative studies employing multiple or cross-case methods have been found to offer "distinctive leverage" for addressing questions in comparative politics, compared with quantitative, single-method and single case studies (Mahoney 2007). The case study has been lauded by David Collier (1999) for its critical importance for theory building, with each case a building block for a stronger theoretical foundation, and also for its close dialogue with case materials, which allows greater attention to and descriptive analysis of contextual features.

Scope and chosen cases

Two individual reforms were studied in detail: one at the Commonwealth level and one at the state level. This allowed the investigation of federalism's potential divergent influence on school funding at different levels of government, even where the government in question proceeded *sui genesis*. Two cases were chosen (as opposed to a single case) to strengthen the foundation for the application and assessment of the hypotheses and theories in relation to policy making and intergovernmental collaboration in Australia. The use of multiple cases spread over a confined

period of time (1992-2004) has been identified as particularly appropriate for single-country case studies (Collier 1999). This stronger foundation increases the potential for analytic generalisation (Yin 2009: 15), and the expansion of the hypotheses and associated theories to other areas of intergovernmental activity in Australia or other federations.

The first case study is the Kennett Government's Schools of the Future reforms, commencing in 1992 and largely implemented by 1996, which devolved 97 per cent of the Victorian government's public school funding budget to individual schools for each school to then spend in line with local priorities in accordance with extended school governance, curriculum and accountability frameworks. These reforms have been described by supporters and detractors as the most dramatic transformation of public schooling in Australia in the twentieth century.

The second case study is the Howard government's Choice and Equity reforms, which involved the transition from the educational resource index (ERI) system, in place since 1985, to the socio-economic status (SES) system as the basis for allocating Commonwealth funding to private schools. It also considers the Howard government's revisions to tied grants to the states for public schools and the introduction of Enrolment Benchmark Adjustment (EBA). These reforms, which were pursued simultaneously by the Howard government, have been identified as the Howard government's most significant policy initiatives in the schools arena, profoundly affecting funding for public schools, private schools and state governments generally (Wilkinson 2007: 151). The reform development process started in 1996 and implementation commenced in 2001.

Both of these case studies are considered in their broader intergovernmental context, including attempts at intergovernmental policy making that occurred simultaneously to the reforms under in-depth analysis. For the Victorian case study, thwarted attempts by the Australian Education Council (AEC) on national curriculum statements are considered. For the Commonwealth case study, the 1999 Adelaide Declaration on National Goals for Schooling in the Twenty-first Century is considered. This declaration comprised an intergovernmental agreement developed by the AEC's successor, the Ministerial Council on Education, Employment Training and Youth Affairs (MCEETYA), which committed all Australian governments to a national framework for schooling, including funding arrangements and policy objectives.

Each of these two instances of reform were selected as case studies because they were repeatedly identified as pivotal by key policy actors and academics in the comprehensive literature review, and

because each continues to influence schooling policies in Australia today. Yet despite their importance, neither have been thoroughly examined in relation to federalism, which means that our understanding of these landmark reforms is not comprehensive. One program of reforms from the Commonwealth and one from state level was chosen to allow for a more comprehensive examination of the nature and degree of intergovernmental interaction and the role of federal processes in the design and implementation of school funding reforms (as opposed to privileging one level of government at the expense of the other). This approach shifts attention away from the Commonwealth government and back to the broader federal system and facilitates examination of this system.

Another factor influencing the selection of these two sets of reforms was the period in which they took place: 1991 to 2001. This period saw several significant initiatives in intergovernmental relations, including the establishment of COAG and the National Reform Agenda, and competing 'federal' visions from successive prime ministers: from Bob Hawke's 'cooperative' model, to Paul Keating's centralism, and finally to John Howard's 'national unitary' approach. School funding reforms – situated within a highly contested, concurrent policy sphere – provide a particularly interesting and as yet unexamined case for exploring policy making during this critical period. It is a rich canvas to explore the extent to which collaboration was dependent on policy actors sharing political objectives and ideology, as posited by Painter (1996). These Victorian and Commonwealth reforms took place within a few years of each other. This relatively short time period minimises data complications arising from political, social and institutional change. This period was also a 'sweet spot' for practical reasons, being neither too distant to be irrelevant, nor too contemporary to be superseded or substantially altered by political or policy changes. The reforms studied remain landmarks in the creation of the current school funding settlement, yet enough dust has settled to enable clear examination. Current reform attempts and reforms from many decades past both present additional research challenges, including limited availability of key policy actors such as ministers for interviews (too busy or no longer able to give interviews), and limited availability of primary documentary evidence and data pertaining to the reforms.

Other factors also influenced the research design. Firstly, the time and resource constraints inherent in a doctoral study necessitated a refinement of the research parameters. It was not feasible to conduct a comprehensive investigation of the development and implementation processes associated with every school funding policy or piece of legislation from each of

Australia's eight governments, nor of every intergovernmental agreement related to school funding since the debut of systematic Commonwealth involvement in this policy area. Identifying the multiple causality issues associated with historical and political variables over each and every issue and the historical reactions over several decades would have been impracticable (Franzese 2007: 28). Furthermore, the paucity of comparable documentation and government spending figures for schooling over this period would make a comprehensive, comparative study nigh impossible. Finally, many major reforms proceeded without legislative change, while some much smaller developments required new or amended legislation, making a study focusing on legislation or funding flows alone unsuitable, as such a study would not offer an accurate reflection of the significance of the reform or of the factors shaping them. In order to limit the number of contingencies and instances of unpredictability that arises in large n studies of institutions and complex social and political phenomena (Lecours 2005: 9), the study was restricted to two governments – the Howard government at the Commonwealth level and the Kennett government at the state level.

Research instruments and sources

Within the case study approach, a mixed-methods approach was selected, consisting of archival work (document survey and analysis) and data analysis, complemented by detailed interviews with the most important policy actors: the education minister, chief of staff, senior policy advisers, the public servants working most closely on policy development and implementation, and chief independent consultant.

The aim of the interviews was to gather close-range information on policy origins, formulation and implementation within Australia's federal system. The interviews examined the participants' views regarding the extent to which the reforms on which they worked were influenced by intergovernmental institutions and processes, or by another Australian government. Questions were developed using information drawn from primary and secondary sources, such as parliamentary transcripts, government documents, contemporary media reports and material from other interview subjects. Each interviewee was asked the same set of semi-structured, open-ended questions on policy formulation, implementation and intergovernmental relations more generally, with additional questions specific to their role and to the reform they worked closely on. Each interview lasted about two and a half hours and was digitally recorded with the participant's

written consent. These were later fully transcribed. A copy of each interviewee's recording was sent to them for their records and to provide them with the opportunity to clarify or correct their testimony if they felt it was necessary. All digital recordings and transcripts were securely handled and stored in accordance with the University of Melbourne's human ethics guidelines. A list of interviewees is located in Appendix A.

The common set of questions that was used as the starting point for interviews can be found in Appendix B. Where useful, follow-up questions were asked, as were a large number of questions pertaining to particulars of each policy or policy making process. Approval to undertake these interviews was granted by the Human Ethics Committee of the School of Social and Political Sciences at the University of Melbourne. A copy of the Plain Language Statement provided to interviewees and the consent form they were asked to sign are located in Appendix C.

In accordance with best-practice qualitative research techniques, data obtained from the interviews were triangulated against primary and secondary sources to confirm accuracy. Of course, much of the interview material concerns the perception and recollection of interview subjects. This does not invalidate the material; rather, it provides valuable insight into the beliefs and assumptions held by those guiding the reform process. These perceptions and values are themselves key influences underpinning the reforms, and are not necessarily evident in official documentary evidence. For example, it allowed for the canvassing and comparing of the views of Commonwealth and state policy makers within and beyond ministerial offices, and for the better tracing of the influence of ideology and the understanding of their roles and responsibilities in Australia's federal system.

Key primary document sources were state and Commonwealth budget papers, reports, legislation, parliamentary and other speeches, media releases and archives from political offices. Data and documents from intergovernmental institutions such as MCEETYA and their Schools' Resourcing Taskforce were also drawn upon. These materials were complemented by reports, budgets, and relevant material from key non-government stakeholders and policy actors in the school funding settlement, such as the Australian Education Union (AEU) and the Independent Schools' Council of Australia (ISCA).⁸ Secondary sources included academic analysis, and documents and data gathered

⁸ While acknowledging the limitations of basing my analysis foremost on government data and documents, it is arguably more useful and accurate than the generally conflicting data as gathered, analysed and published

by reputable non-government and international agencies. Archival document research has the advantage of being able to be replicated by other researchers. Additionally, unlike interviews, documents are less limited by selective retention of events, distortion of hindsight, or personal bias. Nevertheless, the interviews with key policy actors were undertaken as a necessary and invaluable complement to this data and document analysis. These interviews shed further light upon the data and clarified the degree and nature of intergovernmental interaction, particularly the dynamics of intergovernmental relations and political decision making that are not always expressed in official documents or evident in the raw data.

This research design allowed for the identification of funding and policy responsibilities, the activities of state and Commonwealth governments before and after each reform episode, any interaction between funding policies, and any direct or indirect influence on these interactions and the end results as a consequence of federal dynamics, institutions and policy settlements. This, in turn, provided an understanding of the operation of the school funding settlement on a macro level. Access to additional primary documentation contained in personal and institutional archives was voluntarily provided by some of the policy actors that were interviewed.

The limitations and appropriateness of this research design

Qualitative studies, especially those involving a small number of case studies within a single country, have been criticised for their lack of breadth and the difficulty in generalising their findings. It is further claimed there is a limited capacity to test causal hypotheses and no assurance of validity or reliability. However, quantitative studies also possess potential shortcomings.⁹ What qualitative research and case studies may lack in breadth is compensated for by depth and nuance. As discussed earlier, qualitative case studies offer greater insight into complex subjects where 'how' questions are investigated, where multiple factors and human actors are at play, where processes (i.e. policy and institutional processes) are involved and where extensive descriptions are required. Despite the limitations above, they still offer the most insight into the abovementioned research

by non-government stakeholders, such as the Australian Education Union and the Independent Schools' Council of Australia. This secondary data was examined in parallel with the government material.

⁹ While they can boil down a complex situation to a single number or set of numbers, they will not necessarily explain the reason for the numbers, and the results of quantitative studies have also been difficult to replicate (Nielson 2004).

questions. David Collier, former head of the American Political Science Association, has emphasised the value of systematic, theoretically informed within-nation comparisons, especially those of separate political units within federal systems that allow for the extraction and analysis of data “at close range”. He further argues that they are indispensable in the study of policy science and constitute “essential building blocks” for comparative research, and that there should be more of them (Collier 1999: 1-6).

Collier’s advice guided the research design of this doctoral study. Qualitative, comparative case studies of single reforms at the Commonwealth and state level from an intergovernmental perspective have not previously been carried out, and thus offer significant new and nuanced research possibilities and understanding of federalism. Most analyses to date have been large, meta-analyses or have made assumptions about the influence of federalism on state policy making processes and policy outcomes based on an examination (or list) of Commonwealth government legislation, directives or pronouncements. What occurs at the state level generally remains unexamined. This thesis is just as much an information-gathering exercise as it is a theoretically informed descriptive analysis and a critique of dominant models and assumptions of federalism and policy making utilised in Australia.

Theoretical and conceptual framework

The development of a robust theoretical and conceptual framework for an interdisciplinary and comparative analysis of school funding as a ‘wicked policy problem’ is a complex task and one of the fundamental aims of this thesis. At the outset, several key theoretical approaches and concepts of use were identified in a rudimentary framework. This study adopted K.C. Wheare’s (1946) view of federalism, elaborated by Alan Cairns (1977), Donald Smiley (1987) Brian Galligan (1995; 2008) and Ronald Watts (2008), as a complex and dynamic system of processes and institutions, embedded in, and interacting with, society. It was thus argued that institutions matter, and, consequently, the study employed the understanding of institutions adopted by James March and Johan Olsen:

a relatively enduring collection of rules and organised practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances. (1989; 2006)

This approach allowed a deeper appreciation of the organic evolution, interaction and discontinuous reforms experienced by both the Australian federal settlement and the intergovernmental school funding settlements – how they have occurred and how they might occur in the future, as detailed in the present preliminary chapter.

As Brian Galligan has observed, studies of Australian federalism have largely rested upon the model of intergovernmental relations through which the author viewed the problem. For example,

a lack of clarity in the delineation between the powers and responsibilities of the Commonwealth and the States might appear to the tidy-minded co-ordinate federalist as a problem to be fixed or ‘reformed’ ... [while] to a messy-minded concurrent federalist, that same characteristic is likely to be considered more of a positive feature. (2008: 62)

For this reason several models of federalism were considered to minimise any subjective theoretical bias.

The Australian Policy Cycle developed by Peter Bridgman and Glyn Davis (1998; 2004) served as a useful conceptual tool for discerning discrete elements of policy making which could then be examined in relation to intergovernmental influences and processes. For added depth, John Kingdon’s (1984) model of streams, policy entrepreneurs and windows of opportunity was also employed to explore how and why some policy proposals were adopted by government, while others were dropped or significantly changed. Each of these elements of the conceptual framework will be explored in greater depth in the next chapter.

Original contributions of the research

This thesis makes several original contributions to the fields of federalism research, policy making research and education policy.

By virtue of its unique methodology,¹⁰ this study provides a deeper understanding and richer appreciation of the complexity and fluidity of Australian federalism and policy making processes in the education sphere and beyond. This is the first such detailed, multi-case study of education

¹⁰ Complementary case studies of individual instances of education policy reform at both state and Commonwealth level, situated within their broader political, policy and intergovernmental context and within a confined time period, employing both interviews with policy actors and analysis of primary and secondary documentation.

policy in Australia that explicitly examines federal systems, institutions and their influence on the policy making process at both state and Commonwealth levels. It finds that the dominant models of federalism and of intergovernmental relations – coordinate, cooperative, competitive, and collaborative – are deeply inadequate and are a poor fit to federalism in practice. No single model explains Australian federalism at a given period of time in a single policy sphere. A variety of these models could be viewed as present at any one time in a single policy sphere. As such, this thesis advocates the use of the term concurrent federalism, which acknowledges the variety of government roles, the autonomous but interrelated activities of policy actors, and the changeability of intergovernmental relations. This diversity demonstrates the responsiveness of the federal system and of policy actors to changing needs and priorities. This change and responsiveness was far faster than previously thought. These findings can help scholars and policy actors free themselves from unhelpful constraints and ‘ideal types’ of federalism and embrace the dynamic and responsive system in which they operate rather than viewing it as a set of obstacles to be overcome. The findings also assist scholars and policy actors to more fully comprehend the scope and impact of the direct and indirect influence of the system in which they operate, and the influence of this system on policy durability, implementation and more.

This is the first detailed case study of the way in which federalism influenced both the Victorian Kennett government’s Schools of the Future reforms, and the Commonwealth Howard government’s Choice and Equity reforms on private schools and associated reforms to public school funding delivered via tied grants to the states. While each of these reforms are highly significant, landmark reforms in their own right, and have received significant commentary, they have not been subject to robust and detailed examinations from an intergovernmental perspective, nor have theories of federalism and of policy making been rigorously applied or critiqued. This is despite each of these reforms influencing, and being influenced by, schooling policies in other Australian jurisdictions. These major state and Commonwealth case studies are accompanied by smaller studies of successful and thwarted attempts at national policy making in the intergovernmental education council. Deeper penetration into these policies provided unique insights into each of these highly influential policies, especially the degree of indirect influence of the federal system at each ‘stage’ of the reform process. While each reform was pursued unilaterally, and had been conceived of as unilateral by the policy actors and in the literature, I found multiple instances of federalism significantly and indirectly influencing each reform and the policy making processes.

These findings should allow a deeper and more sophisticated comprehension of education policy making more generally at state, Commonwealth and intergovernmental levels, including insights into recent Commonwealth and state reform attempts, such as the Rudd and Gillard government's National Plan for School Improvement (their governments' policy response to the 'Gonski' Review of Funding for Schooling) and the Abbott and Turnbull government's 'Students First' policy platform, which leans heavily on pre-existing state policy innovations (such as Independent Public Schools, the latest iteration of Victoria's Schools of the Future reform).

The research findings also provide potential insights and new perspectives for other policy spheres where government roles overlap, and help to discern influences and forces in policy making that have been unacknowledged or under-acknowledged. In doing so, the study could assist policy scholars and practitioners in making and deciphering decisions on policy instruments, consultation, implementation strategies and more.

Finally, the findings of this study add weight to the voices of others urging caution against hasty and ill-considered measures to reform Australian federalism, such as trying to force unnatural and unworkable divisions of responsibility based on simplistic and inaccurate theoretical models of federalism, trying to impose more prescriptive tied grants, advocating national approaches to policy problems (usually managed by the Commonwealth), or seeking to introduce dramatic revisions to fiscal arrangements. Thus, the suggestion is made that such moves could undermine government responsiveness, policy innovation and autonomy, and insurance mechanisms present in Australia's federal system. This is especially important in the context of the White Paper on the Reform of the Federation, which is currently developing a "well-defined and timely policy platform" to "strengthen the way our federal system works by being clear about who is responsible for what" (DPMC 2014a). The states' direct connections with schools make them better placed than the Commonwealth to develop, implement and evaluate schooling policies. But overlapping funding roles can serve a useful purpose where they moderate state level funding cuts and facilitate interstate comparisons, which can both enhance the policy laboratory effect and transfer of 'smart practice'. Intergovernmental councils and movement of policy actors and expertise across jurisdictions can further enhance positive effects.

Thesis structure

The next chapter examines theories and literature on federalism and policy making in greater depth and develops the conceptual framework for exploring and assessing the influence of Australia's federal system on policy formulation and implementation.

Chapter Three analyses the way federalism in Australia has developed to shape schooling, with a focus on the evolving and contested use of tied grants as a policy instrument, and a discussion of the Commonwealth government's expanding role.

Chapter Four traces the development of the Victorian case study, the Schools of the Future reforms, from their earliest conception through to implementation, and considers whether the Australian Policy Cycle and John Kingdon's model are useful descriptive or analytical tools.

Chapter Five places these Victorian reforms in their broader intergovernmental context and uses the Australian Policy Cycle to break the policy making process into eight discrete elements in order to then explore the direct and indirect ways that Australia's federal system influenced this "unilateral" state reform.

Chapter Six shifts the focus to the Commonwealth case study and examines the development of the Howard government's Choice and Equity policy for funding private schools and its associated revisions to funding mechanisms for public schools. As was the case for the Victorian reforms, the Australian Policy Cycle and Kingdon's model are applied and critiqued in order to discern the primary driving factors and key influences at the Commonwealth level.

Chapter Seven builds upon Chapter Six by considering the broader intergovernmental context and examining the direct and indirect influences of federalism on the Howard government's school funding reforms. National initiatives such as the Adelaide Declaration developed by the Ministerial Council for Education, Employment, Training and Youth Affairs are also explored to gain a richer understanding of the broader intergovernmental context and intergovernmental relations.

Chapter Eight presents the overall conclusions of this doctoral study, responds to the research questions, and demonstrates the theoretical and practical significance of the research findings to contemporary questions and issues in schooling policy and federalism today and into the future.

CHAPTER 2: FEDERALISM AND POLICY MAKING

This chapter examines the literature on federalism and policy making to position my research and to develop a conceptual framework to assess the influence of federalism on the schooling policy reforms that form my case studies in later chapters. I identify major approaches, claims and debates in federalism research and in public policy research, which my own research builds upon and responds to. I advance my central argument that federalism is a dynamic system of multi-level governance encompassing institutions, processes and agreements embedded in, and interacting with society and open to influence by constellations of political actors and opportunities. I demonstrate why this conception is critical if we are to meaningfully explore policy making in schooling – a portfolio characterized by extensive and growing overlap in government activities.

Federalism

The term federalism can be traced back to the Latin *foedus*, meaning ‘league’ or ‘treaty’, signifying the coming together of previously separate political-geographic units (Elazar 1981). Early manifestations of federal systems of governance date back to ancient India and China (Karve 1932) and the Israelite tribal federation described in the Bible (Elazar 1987: xiv), and were also present in the Medieval, Renaissance and Early Modern periods. Yet, as late as the 1930s there was no generally accepted definition of the term ‘federation’ in a political sense (Karve 1932: 8). This struggle to find a satisfactory definition is due to the fact that there have been many expressions of federalism throughout human history, that there is no ideal form, and that all federations are dynamic and possess competing centripetal and centrifugal tendencies (Davis 1978). D. G. Karve further argued that a definition of federalism “which would meet all its manifestations at a given moment, may be out of touch with realities after the course of time and political evolution have brought new experiences to notice” with even written constitutions subject to judicial decisions altering their interpretation (1932: 10).

Yet a working definition of federalism that encompasses its forms and its key features is necessary if we are to examine its influence on policy making and to position this research within the rich historical, national and international debates. This study adopts the generally accepted definition of federalism as a system of governance in which sovereignty is shared between two or more orders of

government, usually regional governments and a national government, with each possessing sovereignty over certain policy spheres and each possessing a direct electoral relationship with its citizens. It differs from a unitary system in which power over all matters in the country belongs to a central government, even if that central government delegates or devolves some tasks to lower levels which do not possess or share sovereignty. It also differs from the absolute rule of one state over another, such as a protectorate, and from a confederation, despite the existence of some shared -federal features.

There are four key features of modern federal systems. First, a written constitution formally setting out the legislative and fiscal powers of state and national governments, which cannot be amended by one level of government alone. Second, formal representation of the states (or people of the states) in the national parliament, usually in an upper chamber or senate, even if this institution ceases to operate on state lines. Third, a supreme court to interpret the constitution and the limits of government powers, and to settle disputes between governments. Lastly, intergovernmental processes and institutions for conducting or facilitating relations between governments, or for coordinating activities in areas of shared or overlapping jurisdiction (Anderson 2008). These can be codified in the constitution or exist separately. In either case, they evolve over time (Watts 2008). Each of these features will be explored with respect to policy making processes in the case studies of Victorian and Commonwealth school funding reforms.

Advantages and disadvantages of a federal system

These distinctive features are said to predispose federal systems to particular advantages and disadvantages in relation to policy and governance when compared to unitary systems.¹¹ These claims – especially the said disadvantages - are often thrown about in relation to schooling policies in Australia, but they have not been rigorously investigated in a qualitative or comparative manner, so it is not known whether or to what extent they are present. This is the major reason this doctoral study examines contemporaneous state and Commonwealth schooling reforms as case studies. The said advantages of federal systems that are most relevant to this study are: enhancing checks and balances; providing greater opportunities for citizen representation and involvement in the democratic process; allowing for greater variety and customisation of policies to meet local needs

¹¹ Good accounts of the advantages and disadvantages said to be offered by federal systems can be found in Ronald Watts (2008) and in Anne Twomey and Glenn Withers (2007).

and preferences; and encouragement of cooperation, competition and innovation among governments, potentially leading to better designed (more effective and efficient) policies as governments learn from each other's policy successes and failures. Conversely, disadvantages that are considered more likely in federal systems and that are relevant to this study include inefficient duplication of government activities; unclear lines of responsibility; and conservatism, in that it is more difficult to institute certain reforms that would apply to the whole country, or more difficult for states to go their own way if there are national system or federal controls.

These said disadvantages usually stem from concurrent arrangements - where the roles, responsibilities or activities of different levels of government overlap within a specific policy sphere - and are the subject of great and ongoing debate. In Australia, many politicians at Commonwealth and state levels, as well as business groups and scholars have complained that overlapping government roles is a major contributor to low productivity, poor service delivery, reduced accountability, and business and community frustrations (for example, Howard 2005; Brumby 2007; Bligh 2008; Business Council of Australia 2006; Fenna 2007 & 2008). The reduction of overlap, usually through the rationalisation of Commonwealth involvement in traditional state domains, was a central objective of the New Federalism Agenda of the early 1990s, which occurred simultaneous to my case studies (Painter 1998a, SPC 1991, FSRC 1998). Such proposals also feature heavily in academic appraisals of Australian federalism, where there is a strong bias towards reduced concurrency and a clearer separation of state and Commonwealth activities. Similar concerns and reform proposals have been voiced in other federations such as the United States and Canada (Lee 1994; Field 1992; Salvail 1992).

Yet, a deeper examination of the federalism literature suggests that concurrency can serve many vital functions. Martin Landau (1969: 352-356) for example, set out the ways in which concurrency was a desirable and deliberate feature of federal systems, providing a kind of insurance through its system of checks and balances, permitting flexible responses to anomalous situations, and providing a creative potential. Daniel Elazar (1985: 32) has similarly argued that the existence of concurrency and overlap in federal systems makes for a more democratic system as they can limit the power of any government while also offering more opportunities to influence the policy process.

This later point has been explored in greater depth by Frank Baumgartner and Bryan Jones (1991) in relation to the United States, and by Jeremy Richardson (2000) in relation to the European Union,

each of whom argued that federalism provided additional opportunities for citizens and interest groups to influence the democratic process and for alternative voices to gain a hearing.

Baumgartner and Jones further argued that different agencies and levels of government can have different interpretations of a policy problem, resulting in agencies seeking to influence the level that shares their own interpretation and resulting in more opportunities for alternative policy initiatives. This later point appears to have particular salience for the intergovernmental policy settlement that has evolved on school funding in Australia, where private school lobbies have developed close and influential relations with the Commonwealth.

A compelling case study on the virtues of concurrency is the study of environmental protection by Robyn Hollander (2010). She concluded that many of the environmental success stories of the past three decades in Australia – including the protection of the Great Barrier Reef, the Franklin River in Tasmania, and the Wet Tropics in far north Queensland - were only achieved after political and legal battles enabled by Australia’s concurrent arrangements. Federalism meant that battles lost by conservationists at the state level could be pursued at the Commonwealth level. This “valuable insurance against policy failure” would not have been present had government powers been sharply separated or had “artificial divisions” had been imposed on this complex policy domain as part of efforts to reduce concurrency (2010: 136). Similar studies in Canada by Gordon Brown (1994) and Amelita Armit and Jacques Bourgault (1995) have likewise found that that the problems and costs of overlapping functions have been exaggerated and the advantages of concurrency have been undervalued. This makes a qualitative study of Australian state and Commonwealth reforms in schooling – another area characterised by concurrency – a useful comparison and potential theoretical building block.

The outcomes of a federal system depend on the particular form in any given country, including the operation of its institutions and processes in cases of dispute among governments, and its ability to evolve in line with economic and political circumstances and community preferences (Watts 2008: 191). The scope to maximise the potential benefits of a federal system while minimising the potential disadvantages is heavily dependent on the assignment of functions between levels of governments and effectiveness with which governance arrangements are able to adapt to changing conditions (Pincus 2006: 3). There is no single ‘best’ model for allocating functions within a federal system - what is appropriate for one country may well be inappropriate for another, and the passage of time makes some arrangements less suitable than previously. There are, however,

important guiding principles considered by those drafting or reforming federal constitutions. Foremost among these are subsidiarity and fiscal equivalence. Of course, liberalism and democracy, as espoused by Thomas Jefferson and the authors of the American *Federalist Papers*, are other important guiding principles.

The principle of subsidiarity

The principle of subsidiarity says that wherever possible, government should be as close as possible to the population governed. According to this principle only those powers incapable of being exercised at the low level should be transferred to a higher authority.¹² A division of responsibility using the subsidiarity principle is said to maximise responsiveness, accessibility and accountability of governments and elected representatives to the people, creating a system of checks and balances (Sharman 1990: 148).

In Australia, this view has been espoused by Russell Mathews (1980: 8), who wrote that “activities or decisions should be carried out by governments closer to the people affected by the decision” and was later endorsed by the Premiers and Chief Ministers’ Conference of November 1991 (immediately prior the reforms examined in my case studies). Subsidiarity was again identified as a guiding principle in the current White Paper on the Reform of the Federation (DPMC 2014a). The subsidiarity principle rests upon four main considerations:

- 1) subnational governments are likely to have greater knowledge about the needs of the citizens and businesses affected by their policies;
- 2) decentralisation of responsibility and decision-making makes it easier to constrain the ability of elected representatives to pursue their own agendas to the disadvantage of citizens they represent;
- 3) intra-national mobility of individuals and business, and benchmarking of expenditure and policy or service outcomes exposes subnational governments to a reasonable degree of intergovernmental competition;

¹² The principle of subsidiarity is related to the principle of decentralisation, where decisions are made by the lowest practicable level of government, which proponents such as Wallace Oates (1972: 8) argue increases the responsiveness of governments to citizens and is more economically efficient.

- 4) initial emphasis on the lowest level of government encourages careful consideration or testing of the case for allocating a function to a higher or national government and thereby guards against excessive centralisation.

Conversely, Jonathan Pincus (2006: 27) has identified four reasons for which there is strong support for assigning responsibility for a function to the highest level of government:

- 1) there are significant inter-jurisdictional spillovers associated with the provision of a good or service at the subnational level (where the activities of one level of government affects the operation of another level);
- 2) there are readily identifiable areas of shared or common interest or sizeable economies of scale and scope arising from central provision or organisation (such as defence or social welfare transfer systems);
- 3) a diversity in rules or regulations is likely to give rise to high transaction costs with insufficient offsetting benefits (such as trading provisions covering weights and measures);
- 4) there is scope for mobility of capital and people across jurisdictions to undermine the fiscal strength of the subnational level of government. This can be exacerbated by benchmarking comparisons, for example, a 'race to the bottom' on revenue collection.

In sum, the principle of subsidiarity rests upon a consideration of the efficiency, effectiveness and necessity of allocating authority to a higher level of government. Inappropriate allocation to a lower level of government could result in inadequate or uneven provision of necessary services or public goods, while inappropriate allocation of responsibilities to national governments could result in provision unrelated to need (Monro 2001: 39).

Writing in relation to the Europe Union, Andreas Follesdale argues that dramatically different conceptions of these conditions mean that the "principle of subsidiarity can take either *negative* or *positive* forms, either *proscribing* or *requiring* central action" (1998: 193). Unsurprisingly, the boundaries of these principles and the terms "where practicable" and "national interest" are subject to diverse interpretation between and within federations, resulting in very different power allocations and governance arrangements. Some policy areas or powers, such as the provision of a uniform currency, international relations, treaty ratification and defence, are almost always exclusively allocated to the national government. Others, such as policing and compulsory

schooling, are usually allocated to state governments. For some policy areas, such as agriculture and criminal law, there is no clear pattern of power allocation among federations.

Concurrent powers (where both orders can make laws in a defined area, but where national laws usually prevail in situations of conflict), shared powers (where each order makes has some different legal powers in the broad policy area and decisions are taken independently), or joint powers (where the two orders make some decisions together) are all alternative and increasingly common power allocations in federations, with most policy areas having multiple types of power allocation. All federations display varying degrees of exclusivity and overlap in the assignment of functions as well as integration of coordination tasks. Importantly, in all federations power allocations are not simply a reflection of the text of the constitution but are also determined by court decisions and other developments, and thus evolve over time in response to changing economic, social and political factors (Watts 2008; Anderson 2008; Benz 2010; Pincus 2006).

While there is enormous variation in institutional arrangements, all federal systems have sought to combine elements of autonomous self-rule for the states or constituent units in certain matters, and overarching shared rule in other matters in effort to allow distinctive diversity and united action (Elazar 1987).

The principle of fiscal equivalence

Complementing the subsidiarity principle is the fiscal equivalence principle, which states that each level of government should finance its assigned functions with funds that it raises itself (Olson 1969; Kasper 1995). In other words, where the subsidiarity principle supports the allocation of a function to a lower level of government, the necessary expenditure and taxing powers should also reside with that level of government, forming what Brennan and Buchanan (1977; 1980) have theorised to be a 'fiscal constitution'. This theoretically enhances accountability by placing a constraint on the extent to which a government's political agenda can deviate from the preferences of citizens.

The control and distribution of revenue among orders of government is central to the real distribution of powers in a federation (Anderson 2008: 22). This necessitates discussion of vertical fiscal imbalance and horizontal fiscal equalization (HFE). Vertical fiscal imbalance is a situation where the revenue raising powers of one level of government are insufficient to meet their expenditure responsibilities (such as those enumerated or residual powers in the constitution), and

for the other level, excessive, which requires a system of intergovernmental transfers or grants to correct the imbalance. As Brian Galligan (1995) among others has pointed out, this does not necessarily reflect a problem in the design of fiscal arrangements but could instead be an intentional element to facilitate concurrency or flexibility over time. Fiscal imbalance can, however, place limitations on the autonomy of the level of government whose constitutionally-derived expenditure requirements exceed their revenue capacity, usually the state level of government. In particular, reliance on intergovernmental grants could reduce the potential benefits of subsidiarity and the ability of the state governments to effectively respond and be held accountable to the preferences of their citizens (Mathews 1980: 8-11). This risk increases when conditions are placed on the grants made by the national government to the state governments.

Horizontal fiscal equalisation grants are large and usually untied intergovernmental grants from the national government to state governments that seek to partially compensate for the different fiscal revenue bases and population demographics of each state, enabling each state to provide an overall bundle of services of comparable quality to their citizens relative to those in other states. Australia's Commonwealth Grants Commission (CGC) described this HFE principle as:

State (and territory) governments should receive funding from the pool of GST revenue such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard. (CGC 2004: 4)

HFE grants, especially when complemented by benchmarks comparisons between jurisdictions can facilitate horizontal policy competition and transfer (with adaption to local circumstances), or empower citizens and enterprises to "vote with their feet" if they feel another state is taking a superior approach to policies. In Australia, HFEs are known as Financial Assistance Grants (FAGs) or untied grants, and originally sought to compensate states for the loss of income tax revenue collected from their citizens after the Commonwealth government became the sole authority collecting income tax in 1942 (Morris 2007). The Australian approach to equalisation is not directed towards outcome equalisation, or equal access to public services for all citizens irrespective of where they live, given rural and remote citizens cannot gain access to the same range of services as metropolitan citizens. Instead, Australia's approach to HFE seeks to establish policy standards based on the average of policies actually adopted by the states, through the use of

financial benchmarks, examination of revenue-raising capacity and expenditure needs (Morris 2007: 58-59).

Each federation differs in the institutional mechanisms for allocating these intergovernmental grants. In Australia, the quasi-independent and permanent Commonwealth Grants Commission considers the relative fiscal capacities of the states and territories and makes recommendations on fiscal distribution and equalisation. The CGC has been criticised for being too rigorous and academic in its approach, contributing to the creation of an overly complex system of intergovernmental grants (Shah 2007: 36).

However carefully functions are allocated, substantial interaction and cooperation among governments are likely to be necessary to ensure the effective funding and delivery of services.

Dominant models of federal systems

Despite all federations possessing the four key features outlined earlier in this chapter, there is great diversity of organisation and operation between federal countries and within a single federal country over time (Nathan 2006; Watts 2008). This diversity largely comes down to their particular institutional arrangements (including constitutional allocations of responsibilities), how these are interpreted, and the interplay between these institutions and other influences in that country, such as societal change, and changes in political culture and actors. Federations can be highly centralised, concentrating power in the central or national government, or they be almost completely decentralised with a very limited central government. The capacity for variety and change over time has been repeatedly recognised as one of federalism's strengths (see for example Galligan 1995; Twomey and Withers 2008).

A review of the literature suggests there are two dominant models or 'ideal types'¹³ of federations. They differ primarily in the degree of concurrency; that is, where responsibility for a policy or issue is shared or overlaps between the state governments and the national government. These overlapping responsibilities may be constitutionally given or politically assumed. Complementing this discussion of 'ideal types', we will later discuss how federal systems operate *in practice*, particularly in relation to tied grants, as it is not possible to completely separate these two aspects.

¹³ 'Ideal types' is understood as perceived by some people as ideal models of how things should be.

Coordinate federalism the 'layer cake' model

In coordinate federal systems, the powers and responsibilities of the national and state governments are clearly delineated and each level of government able is able to get on with their 'own business' without necessarily involving the other levels. This model places greater emphasis on the principle of subsidiarity, decentralisation, and the functional theory of federalism, a term coined by Paul Peterson (1995) which argues that some functions are better carried out by the national government, others by lower governments, and that each government should be left to carry out the functions for which it is most suited. For instance, the national government might be responsible for redistributive programs, and state and local government are better suited to developmental programs. This coordinate model is sometimes described as a division of responsibilities according to the federal principle, in which sovereign national and regional governments are each, within a sphere, discrete, coordinate and independent. This model is also often referred to as 'layer cake federalism' a term popularised in K.C. Wheare's classic 1947 text.

Canada is an example of this model in the education portfolio. There is no national department of education, and with the exception of a few targeted programs for indigenous communities, no school funding is provided by the national government. Instead, the provincial governments have sole responsibility for school provision, and have adopted a variety of policy instruments and administrative systems to do so, including use of school districts, self-managing schools or inclusion of non-selective, non-fee charging religious schools within the public school sector.¹⁴

For scholars such as Russell Mathews, the complexity of modern society and greater demands made upon government, which itself has broadened, means that it is no longer possible to have a neat division of responsibilities, if indeed it were ever possible.

Whatever the historical origins of coordinate federalism, it is no longer possible to operate a federal system on the basis of the notions of divided responsibility and of independent governments exercising mutually exclusive powers within separate spheres of activity.
(Mathews 1980: 4)

¹⁴ Interestingly, despite the absence of federal government involvement in Canadian schooling policy, and different policy paths and instruments employed by the provinces, Canada's school systems are characterised by great similarity in structure, spending and educational outcomes (Wallner 2009). Canada also outperforms most advanced democracies on both educational performance and equity measures as measured by the Organisation for Economic Cooperation and Development (OECD) in international standardised tests.

This view is increasingly accepted among federalism scholars in Australia (e.g. Fenna and Hollander 2013).

Schooling is identified by Mathews as one such policy area with national, state and local dimensions which cannot be regarded as the sole responsibility of a single level of government. This is partly driven by citizens' demands for national economic security and growth, which is an area which Mathews regards as best managed by the national government, with some services provided by state or local governments (Mathews 1980; Mathews 1983). In this vein, Australian prime ministers and Commonwealth education ministers have advocated or justified the Commonwealth's involvement in schooling as a pillar of their broader economic policies (e.g. ALP 1990; Coalition 1996). So we see that although Mathews recognises the impossibility of a neat division according to policy areas, he still advocates a separation of government functions along coordinate lines. He believes Australia's Commonwealth government should be responsible for international, economic and redistribution policies, as well as supply of public goods and services of which the cost or benefits extend beyond state boundaries, while the state or local governments should retain responsibility for resource allocation and service provision within their jurisdiction.

The spillover effect, where the activities or responsibilities of one level of government affect the operation of the other level of government (such as Commonwealth's legal obligations in the environment due to international treaties under its foreign affairs powers) are not immediately apparent in the schooling portfolio. An alternative justification for Commonwealth involvement in state spheres is the pursuit of equity in line with the Australian Nation Principle, which advocates unity over diversity in social programs (Healy and Robbins 1996: 276). It is a principle that has received great support from Australian political leaders, particularly but not exclusively at the national level. Former premier of South Australia John Bannon¹⁵ wrote in 1987 that the Commonwealth was justified in being involved in service provision in order to ensure that the whole community benefited or a minimum standard is reached when some or all states were unable or unwilling to do so on their own. We can see this argument underpinning the debut of large-scale, general, recurrent tied grants for public and private schools under the Whitlam government in 1974, and more recently by prime ministers Rudd and Gillard in advocating their National Plan for School Improvement and National Education Reform Agreement (COAG 2008b).

¹⁵ John Bannon was a member of the expert steering committee for the White Paper on the Reform of the Federation 2014-2015, until his death on 13 December 2015.

In both cases, the Commonwealth government has insisted that it has no desire or intention to take the responsibility for running schools away from states, but that Commonwealth involvement in the form of tied grants with explicit spending guidelines, accountability measures and common reporting frameworks were required to enhance equity and excellence in schooling across the country.

Coordinate models of federalism continue to influence debate on Australia's federal arrangements as an 'ideal form' or even original form. The New Federalism program of the early 1990s, prime minister Rudd's pledge to "fix federalism" and "end the blame game" through a series of intergovernmental agreements and more structured intergovernmental relations, and the current White Paper on the Reform of the Federation all seek, or sought, to bring about clearer divisions of responsibilities resulting in reduced duplication and greater productivity and accountability (Galligan 1995: 197-198; Rudd 2007a, Rudd 2007b, COAG 2008a; DPMC 2014a). In the case of the White Paper, schooling has been identified as one of the policy areas most in need of a rationalisation of government roles. This view on coordinate federalism as something to return to or pursue is predicated on the assumption that overlapping responsibilities and duplication of government services is inefficient, has a deleterious relationship to governance and accountability, and can obstruct achievement of policy aims. Those adhering to this view argue that governments should not expand upon the responsibilities allocated to them in the Constitution into areas for which the other government is potentially better suited unless there is a clear reason necessitating their involvement, such as a spill-over effect (Mathews 1980: 8). This view down-plays or ignores the benefits of concurrency, discussed earlier in this chapter.

Cooperative federalism the 'marble cake' or 'integrated' model

Under the second dominant model, *cooperative federalism*, different levels of government have shared or overlapping responsibilities in many policy areas and must work cooperatively in order to get things done in the system. In contrast to the coordinate model, cooperative federalism sees concurrent or overlapping responsibilities as the norm, rather than the exception. For this reason, cooperative federalism is here synonymous with *concurrent federalism*. These overlapping responsibilities may be constitutionally given, politically assumed or derived from judgments of a supreme court, and can result in joint or separate activities in areas of shared responsibility.

Germany is often cited as an example of cooperative federalism. Under the German Federal Constitution (*Grundgesetz*) the federal government has legislative and executive powers over most

policy domains, while the *lander* government are responsible for policy implementation and service delivery which they can adjust to regional needs and preferences, so long as the service standards and accessibility are within the Basic Rights provision of the *Grundgesetz* (Fussel 1998). The elected leaders of each *lander* government sit in the upper house of the federal parliament, which results in frequent change in the upper house's composition following *lander* elections, and the direct involvement of *lander* governments in federal policy making. Germany's *lander* governments are responsible for providing schooling under a principle of 'strict decentralisation', which results in variations of educational outcomes (Freitag 2008). Since 2012, all *lander* are also bound by national standards and quality assurance measures for their school systems (Lohmar and Eckhardt 2014).

In contrast to Wheare's 'layer cake' where there is little overlap in roles, cooperative federalism is analogous to a 'marble cake', a term coined by Grodzins (1966: 8) as a metaphor for American federalism where the responsibilities and roles of federal, state and local governments blend significantly. This metaphor has been subsequently used to describe Australian federalism and the mixing of roles and responsibilities among levels of government (Wiltshire 1992). Brian Galligan, for example, has characterised Australian federalism as a system of complex and diverse power centres with an intermingling and overlapping of jurisdictional responsibility and policy activity (1995: 77).

Some scholars prefer instead to define cooperative federalism as a subcategory of concurrent federalism, alongside other subcategories such as collaborative federalism, coercive federalism and competitive federalism, where each subcategory is defined according to the nature of its intergovernmental relations. For example Martin Painter (1998a: 54-55) suggests cooperative federalism is an inappropriate term in the Australian context because intergovernmental relations are more accurately characterised as adversarial with frequent attempts at coercion, rather than as cooperative behaviour. For Painter, arms-length cooperation is characterised by a unanimous agreement between Commonwealth and state governments covering a particular area, followed by each level of government working separately on their agreed roles or functions as specified in the agreement. Agencies administering and enforcing these arrangements are responsible to only one level of government. In contrast, collaboration involves the establishment of a joint agency to administer or monitor the arrangement, such as the National Training Authority. Dugold Monro shares this view, and further argues that collaboration may also imply an "equal relationship where parties are fully willing to cooperate" which he considers an inaccurate characterisation in the

Australian context (2001: 46). This approach has the benefit of a non-pejorative and non-suggestive overarching term, *concurrent federalism*, to refer to models where responsibilities are shared or overlapping, and potentially offers greater clarity when discussing forms of intergovernmental relations. But it can result in conceptual confusion in international academic dialogue where cooperative federalism is a more widely used and understood term to refer to the ‘marble cake’ conceptual model (see for example Watts 2008, Wheare 1946, Elazar 1987) or even general discussions of the Australian political system (see for example Ward and Stewart 2010; Summers and Lowe 2010; Wiltshire 2008).

In this thesis, I use *cooperative* and *coordinate* to refer to the two dominant models of federalism describing the division of responsibilities, and will use *collaborative*, *coercive* and *competitive* to refer to the nature of intergovernmental relations. This approach has greater potential for clarity and nuance, recognising that in either of these models, intergovernmental relations may take a variety of forms. It also recognises that the allocation of responsibility in either federal model can occur through a variety of mechanisms - constitutional, judicial or political competition and innovation.

However, I will demonstrate in this thesis that these two dominant models of federalism are of limited descriptive and analytical value, as are conceptions of federalism rest upon understanding power as ‘divided’ between levels of government (e.g. Singleton, Aitkin, Jinks, Warhurst 2003). I will argue instead that sovereignty and powers are better described as *shared* (an interpretation shared by state and Commonwealth bureaucrats in the early results of Smith et al. 2015). Rather, I will show that powers exercised and intergovernmental relations can take a variety of forms in any defined period of time, even within a single policy sphere such as school funding.

Intergovernmental relations

The real and perceived effects of these diverse forms of power allocations and intergovernmental relations have resulted in a plethora of descriptions. Max Frenkel showed that practically every text on federalism contains hyphenations or qualifiers which in many cases are emotionally-laden adjectives indicating the author’s basic opinion of the subject, a political actor’s goal, or a critique in an attempt to confer or remove legitimacy. Discussing this “bevy of federalisms”, Frenkel compiled a list of 460 hyphenated or qualified federalisms, noting that many terms possess the same meaning as others (marble cake and rainbow cake, for instance) and that this number could be easily

extended with self-made terms and catchwords taken from the daily press (1987: 78).

Unfortunately, as both Landau (1973) and Frenkel have pointed out, this proliferation of labels for forms of federalism has not led to greater clarity. But, as this thesis argues, this abundance of descriptors highlights the fluidity of federal systems and their responsiveness to contextual factors, institutions the preferences of political actors and societies.

Competitive federalism: horizontal and vertical.

Competitive federalism can be horizontal - between state governments - or vertical - between a national government and one or more state governments. Vertical competition can sort roles and responsibilities between levels of government, and fill policy, service or accountability gaps (Monro 2001), while horizontal competition can facilitate innovation and the spread of successful policies, particularly where benchmark measurements exist for inter-jurisdictional comparisons (Productivity Commission 2006). Policies, voters and enterprises are not the only things that might cross from one state to another. Experts and practitioners also move between jurisdictions. For instance, teachers seeking superior working conditions may leave for another state, or a state government may contract a leading interstate bureaucrat or consultant to assist with the development or implementation of a policy adapted from that person's original place of work or residence, as was found to be the case in my research.

Peter Dawkins and Bhajan Grewal (2011) have developed a conceptual framework for assessing intergovernmental cooperation and competition which they argue can be helpful or harmful depending on the form and circumstance, giving examples from the education policy portfolio. They identify vertical competition as a likely form of the Commonwealth coercing or bypassing the states, but characterise horizontal (state-state) competition as a driver of innovation.

TABLE 1: FEDERALISMS

<p>Federal - state</p>	<p>Cooperative (COLLABORATIVE)</p> <p>1) Proposals for national literacy testing and a national curriculum which came from the states, who also sought to design and administer it themselves rather than have it imposed from above. <i>Can result in more funding and autonomy for states.</i></p> <p>2) National Partnership Payments. A new response to vertical fiscal imbalance which could enhance state funds and autonomy.</p>	<p>Competition and/or coercion</p> <p>E.g. 1) Australian Technical Colleges (competition)</p> <p>2) Literacy vouchers (bypass/parallel federalism)</p> <p>3) Funding for private schools (parallel federalism)</p>
<p>State - state</p>	<p>Cooperative (COLLABORATIVE)</p> <p>1) The Ministerial Council for Education, Employment, Training and Youth Affairs and its work including the Adelaide Declaration.</p>	<p>Competition and/or innovation</p> <p>1. Adoption and promotion of successful state policies by the Commonwealth government into other states through tied grants.</p>

This is a useful starting point, but for the reasons explained earlier, it is helpful when discussing intergovernmental relations (as opposed to divisions of responsibility) to replace the term ‘cooperative’ with ‘collaborative’. Dawkins and Grewal further argue that, out of these four forms of intergovernmental cooperation, vertical competition is the least productive in driving effective policies and that horizontal competition is the most productive, citing the key role of benchmarks and quality data and reporting to facilitate inter-jurisdictional comparisons that can lead to goals for improved policies and services.

The importance of institutions

Institutions matter, but how much do they matter? In his examination of Australian state and Commonwealth housing and disability services, Dugold Monro concluded different policies and outcomes would have been likely had different institutions been in place (2001). While this might well be true, this thesis argues that the institutions of Australian federalism are highly malleable, even volatile, with outcomes dependent upon the constellation of political actors, political opportunities, whether or not their objectives (both policy and political) are mutual, compatible or feasible, and to a lesser extent, partisanship. While this argument has been articulated by others (example Painter 1996; Forsyth et al. 1995; Weller 1995), this study will be the first application of this argument on the volatility of institutions and their changeable influence to specific instances of education policy reform at state, national and intergovernmental levels in Australia within a single era.

A similar argument of the importance of institutions has been put forward recently by Jennifer Menzies (2013) in relation to the Council of Australian Governments, which was created and began operation in the same period as my case studies. She argues that the *ad hoc* nature and outcomes of COAG meetings is due to the fact the institution and Australian intergovernmental relations more generally, are dominated by 'soft factors' which she describes as partisanship, personality and the political cycle. (This analysis can also be understood using John Kingdon's streams framework for agenda setting and reform windows (1984), which will be discussed later in this chapter). Menzies concludes that this *ad hoc* nature is not ideal, and that "institutional innovation is needed to formalise the management of multi-level governance in Australia" and to reduce intergovernmental tensions (2013: 382). This is an intriguing proposition, and contrary to the views of other Australian federalism researchers, such as Pincus (2006), Walsh (2006) and Galligan (1995; 2008), who have each argued that intergovernmental tensions can be a positive force and that flexibility in institutions is a virtue. The experience of other federations, particularly Germany, where institutions for collaborative decisions are highly structured and formalised give pause for thought, with academic texts written on that nation's institutions have referred to them as "joint decision making trap" and warn of potential undesirable consequences of over-regulated intergovernmental institutions (Benz 2008; Scharpf 1988).

Another interesting addition to this general discussion on the nature and importance of intergovernmental institutions in driving outcomes comes from Herman Bakvis and Douglas Brown

(2010) who examined the mechanisms and institutions for intergovernmental coordination in Canada and the United States in three distinct policy areas. Despite contrasting institutional arrangements, the former being described as “administrative federalism” due to its centralised coordinative mechanisms, and the latter as “jurisdictional federalism” due to the non-hierarchical relationships, their study indicated that the outcomes of policies implemented were relatively similar. Contrary to prior assumptions, their study found that hierarchical administrative federalism does not produce more uniform policy outcomes, and that “surprising degrees of coordination” were achieved in Canada despite its highly decentralised system and absence of top-down coordination mechanism. This is especially the case in for schooling policy and provision in Canada (Wallner 2009). A study of devolution and health policy reform in Spain by Ann Rico and Joan Costa-Font (2005) concluded that power, rather than path dependency, was most influential in processes and outcomes. What can be taken from these studies is that while institutions are important, they do not necessarily determine the intergovernmental relations or policy outcomes, and it not necessarily likely that formalising them will lead to significantly different or predictable outcomes.

The institutions of relevance in this study are the Australian Constitution; intergovernmental bodies, especially the Council of Australian Governments and councils of education ministers; intergovernmental fiscal arrangements; intergovernmental regulations; the Commonwealth Parliament; the Commonwealth government and education departments; the Victorian Parliament; and the Victorian government and education departments. Applying the new institutionalist approach, this thesis posits that these institutions are moderated by political actors who use them in different ways in pursuit of their own political agendas, values and objectives. So the operation and impact of each differs under different constellations of political power. Understanding this dynamic federal system is essential to deepening our understanding of Australian policy making in education. It demonstrates that reforming school funding arrangements is far more complex than simply changing the funding shares or accountability provisions of public and private schools.

Understanding institutional evolution in federal systems

Just as considerable diversity exists among federations in the division of responsibilities, significant differences also exist in the institutional arrangements for intergovernmental coordination, be it for determining separate responsibilities or activities in shared policy spheres, or for coordinating joint

initiatives. While some of these institutions and mechanisms are contained in the written federal constitutions, they are not set in stone by these documents and can evolve over time in response to various factors including political dynamics, judicial decisions and changing economic and social factors (Livingstone 1956, Cairns 1977; Smiley 1987; Watts 2008; Benz 2010; Broschek 2010a; Broschek 2010b, Bollyer 2006).¹⁶ For instance, the Australian High Court remains an adjudicator of intergovernmental disputes but the Australian Senate no longer effectively operates as a “states” house,¹⁷ and these institutions have been complemented by new institutions such as the Council for Australian Governments and the Council for the Australian Federation.

William Riker (1964) was the first to suggest that federal systems or their institutions and outcomes were the product of power games among coalitions of rational actors, an approach later extended by scholars using rational choice theories of federalism (E.g. Fillippov et al. 2004). An advantage of this approach, which focuses on micro-processes of interaction and decision-making, can be the identification of motivations, preferences and powers of actors to explain decisions and outcomes of different processes, as occurs in this doctoral research. In each of my case studies, I investigate the central objectives and driving motivations of the key policy actors to determine factors of influence. These may shift as power constellations in intergovernmental institutions shift, which could explain why no single model of federalism or intergovernmental relations can accurately reflect the dynamism and complexity of modern federal systems. A similar hypothesis is presented by contributors to *Canadian Federalism: Performance, Effectiveness and Legitimacy*

¹⁶ The literature on institutionalism, especially new institutionalism, offers similar insights here. New institutionalism emphasises the interdependent and dynamic nature of political institutions, and is particularly interested in change, which it sees as a constant feature (March and Olsen 1998). It provides insight into the evolution, interactions and discontinuous reforms to Australia’s federal system and the intergovernmental political settlement on school funding arrangements. Not all policy is path-dependent. R. E. Goodin (1996) has identified design elements, competitive selection and accidental or external shocks as major sources of change, which influence how institutions emerge, are reproduced or reformed. I have chosen to focus on the debates within the federalism literature, which is more directly relevant to my study, given the short and specific time frames within which my case studies occur. Institutionalism, in contrast, better lends itself to considering evolution of an institution over the longer term.

¹⁷ Although there is some dispute over whether it was originally intended or expected to operate as a states house. See for example Nicholas Aroney (2009) *The Constitution of a Federal Commonwealth: The Making and Meaning of the Australian Constitution*, Cambridge University Press, Melbourne.

(Bakvis and Skogstad 2008), who argue that different models of federalism are in operation in Canada at any one time, even in the same policy area. Each model changes over time and has its own rules and institutions affecting the behaviour of political actors and resulting policies.

But what effects on policy making processes and outcomes can be identified from such a volatile constellation of policy actors, institutions and exigencies from two levels of government? How does federalism shape policy making? It is to this question the thesis now turns.

The influence of federalism on policy-making processes

There are many competing claims made of policy making in a federal system. But its dynamism can make it difficult to assess its influence on policy making processes, especially any indirect influence. It has been described by Michael Keating and John Wanna (2000:12) as an “invisible institution” of “gossamer threads” that connect levels of government. This analogy has been extended by Ian Ward and Randall Stewart, who write of “the tangled nature of policy-making within the Australian political system” which has “demanded the development of extra constitutional agencies” (2010: 137). These are poetic and engaging description, but not particularly helpful. How does one examine an invisible, tangled and dynamic web?

We are also told that “public policy is different in a federation” (Davis et al. 1993: 67) and that federalism makes policy decisions more difficult due to competition between governments, institutional veto points and tendencies towards conflict and stalemate (Benz 2010). This is especially, but not exclusively, true of policy areas such as education that are subject to concurrent arrangements. Yet, these processes are poorly understood. Writing in 1991, Brian Galligan, Clish Walsh and Owen Hughes identified that little attention has been paid to the way in which the division of responsibilities and intergovernmental relations affects either the formulation of public policy or the delivery of particular kinds of government provided goods and services, noting that this neglect was surprising given that intergovernmental processes and relations are central to Australian politics and public policy. Consequently, very little is known about how the vast network of intergovernmental relations - administrative, political, fiscal, legal, formal and informal, affect decision-making in a policy making context. (1991: xi, 4, 8). Scholarship in the intervening 24 years has brought us no closer to consensus, with few detailed studies of the influence of federalism, *vis a vis* other pressures and factors on policy making processes at outcomes, especially at the state level.

There continue to be many claims about the impact of the Australian federal system - and federalism more generally - on policy-making processes and outcomes which have not been rigorously examined in a sustained and qualitative manner. These claims include that federalism is an engine of reform, promoting innovation, policy learning and the sharing of best practice, where proven strategies from one jurisdiction taken up in other (e.g. Silver 2010: 37; Twomey 2007). Other analyses paint federalism as an obstacle to reform (Keating 2008). Whichever the case, the degree to which learning from or competition within other jurisdictions influences key policymakers or key stages of the policy-making process is unknown. Another unknown is whether governments in a federal system are more or less responsive to citizens' preferences, and whether concurrency and the use of tied grants has a beneficial or perverse effect on policy effectiveness, efficiency and government accountability. Often, it seems it can be either, or both.

Inefficiencies arise where there is an unhelpful duplication of effort, opportunities for cost or risk shifting, and ineffective management of different parts of the overall service package. Such inefficiencies are not necessarily the result of shared functions as such. Rather, they usually arise because of ambiguity about the responsibilities of different levels of government and other weaknesses in related governance arrangements (Pincus 2006: 42).

As discussed earlier, there is also an assumption that a clear division of responsibilities is needed or that greater cooperation between different levels of government is needed. These discussions are often accompanied by proposals to shift policy or fiscal responsibilities from state to Commonwealth levels to achieve greater national consistency, or to attach more prescriptive conditions to the tied grants received by the states. This infers that one level of government inappropriately or inadequately influences another level, with adverse affects on the policy making process or outcomes. Finally, the literature suggests that the influence of federalism differs between levels of government and also across policy spheres and over time. For example Catherine Althaus (2011) has said the Australian Public Service "lacks the street knowledge and know-how" of state government departments, which is a problem for interventionist Commonwealth ministers. This suggests that subsidiarity should be a key factor in determining the responsibilities of different levels of government, or at the very least, should be considered by state and especially Commonwealth governments when determining whether and how to proceed with a new initiative. The design of this doctoral research project allowed for an examination of whether subsidiarity was a key consideration of policy actors in the Victorian and Commonwealth reforms to schooling.

This study employed two complementary theoretical models to explore the complexities and interrelated questions about the nature and degree of federalism's influence on policy making processes at state and Commonwealth levels. The first is the Australian Policy Cycle (APC) developed by Peter Bridgman and Glyn Davis (1998; 2004). The second is John Kingdon's model of policy streams, windows of opportunities and policy entrepreneurs to explain agenda-setting and why some reforms proceed and others do not (1984). These are complemented by concepts drawn from studies of intergovernmental grants, which provide insight into policy-making, implementation and accountability.¹⁸ Holding these theoretical lenses to the case studies provides a deeper understanding of the direct and indirect ways Australia's federal arrangements (institutions and processes) affected these reforms. Examining schooling reforms at multiple levels is important because the state level is often neglected, despite being identified as "the real frontier of federalism" (Parkin 2008). In this way, my research design is in itself a useful contribution to fields of federalism and of public policy.

Policy design and implementation

This thesis focuses on public (government) policy¹⁹ and adopts Bridgman and Davis' definition of policy: an authoritative decision or course of action in response to a public issue or problem, designed to attain certain results. This definition contains an understanding of public policies as both authoritative choices (as they are made by people with legitimate power in the system of government) and as objectives (serving a particular and clear purpose), while recognising that public policy is also dynamic and political in nature (Bridgman and Davis 2004: pp.3-6).

The Australian Policy Cycle

The Australian Policy Cycle was developed by Peter Bridgman and Glyn Davis in response to "ever more frequent requests" for policy training from within government departments and the observation that public policy textbooks did not offer practical guidance or advice on the many

¹⁸ This includes the Principal-Agent problem, to better examine accountability and coordination problems that are amplified by a separation between the body developing and funding a program from the body that delivers it. This is discussed in the next chapter as part of a deeper discussion on the use of tied grants.

¹⁹ As opposed to private policy, such as that of a company or nongovernment organisation.

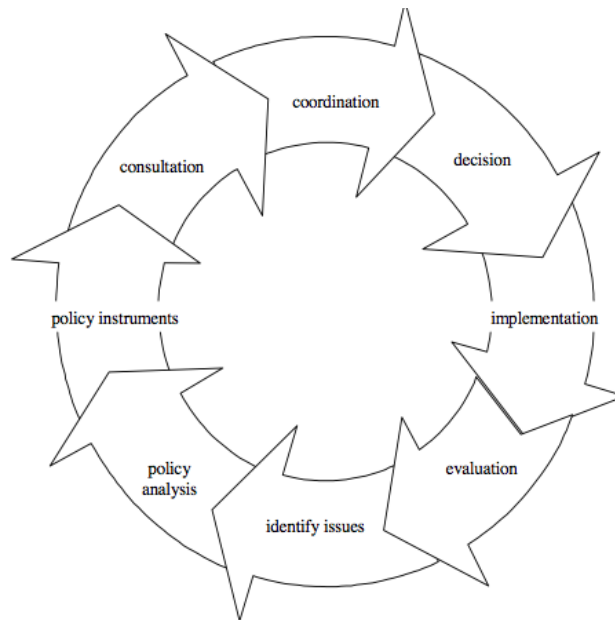
elements involved in creating or reforming a policy (Bridgman and Davis 1998). What followed was an attempt to synthesize scholarship on problem identification, policy development and policy instruments, agenda setting, implementation, and government institutions into a “user-friendly” policy manual and action guide for public servants and others with an interest in policy, which went beyond the format requirements stated in cabinet handbooks (Bridgman and Davis 2008: 98).

In creating the APC and the accompanying *Australian Policy Handbook*, the authors drew upon the seminal literature in the field of policy development, in particular that of Harold Lasswell (1951) who characterised policy making as a logical sequence of steps: intelligence; recommendation; prescription; invocation; application; appraisal; and termination. This sequential approach has been used by other public policy scholars, such as Paul Sabatier and Hank Jenkins-Smith (1993) and James Anderson (1994). The cycle model eventually settled on by Bridgman and Davis was a conscious decision to emphasise that the process continues after a government decision, into implementation and evaluation, after which point the process will usually recommence. This cycle approach views government as a process, rather than a set of institutions.²⁰

Bridgman and Davis’ APC offers several distinct advantages as a conceptual model for this doctoral research. It was explicitly written for the Australian context, incorporating analysis of Australian political institutions (such as Australian cabinet and legislative processes) and Australian policy experiences. It has served as the base model for alternative models to conceptualise, describe or guide policy development in Australia (E.g. Edwards 2001) and it was independently referred to by interview participants as a reference model for their own policy work.

²⁰ A similar, albeit more complex cyclic ‘process’ model of policy making was developed by M. Burch and B. Wood (1989), who gave extra colour to their description of policy-making in Britain by likening government to a firm and drawing upon concepts of supply and demand.

FIGURE 1: THE AUSTRALIAN POLICY CYCLE (BRIDGMAN AND DAVIS 2004: 28)



The APC is both a model of how things should ideally proceed (suggesting eight components of the policy process and a particular sequence) and an analytical tool to understand and structure policy development. It distinguishes policy making into eight distinct elements, or sequential steps, while also emphasising that the sequence can vary and that steps are often repeated or occur concurrently with other steps. Problems are identified and carefully defined, research is undertaken and analysed, policy instruments considered and selected, stakeholders are consulted, coordination between government agencies occurs, and only then is there a decision, followed by implementation and evaluation. This conceptual disaggregation allows policymakers and scholars to focus on the different issues and needs of each step, thereby breaking complex problems into manageable pieces to better understand the appropriateness of any response (Bridgman and Davis 2004: 23, 26). For the purposes of this study, it is also a useful analytical framework to consider any direct and indirect influences of federalism at each 'step' or element of policy making, rather than solely looking at the overall influence on a reform's genesis, development or outcomes.

Criticisms and limitations of the Australian Policy Cycle

The APC model, of course, has its limitations. Most criticisms of this model stem from its apparent attempt to impose a sequential model. For example, Burch and Wood (1989: 16) have criticised policy cycle approaches for suggesting that a “chronological sequence is inevitably involved”, arguing instead that the process is “more fluid”. This criticism is addressed by Bridgman and Davis, who argue their sequential model is not prescriptive but merely a “pragmatic guide”, acknowledging that “policy making is not a strictly logical pursuit but a fascinating matrix of politics, policy and administration”. They further argued that their model – nor any other - cannot entirely “tame the human and political imbroglio” of policy making (2004: 33). Bridgman and Davis’ explicit recognition of the dynamic and at times contradictory influences on policy making meshes well with the central argument of this thesis on the dynamism of federalism and its multiple forms of influences.

A related critique is made by Sophie Everett (2003) who argues that their systematic and process-oriented policy cycle is an unhelpful return to the rational or scientific paradigm adopted by earlier researchers such as Simon (1955), Lindblom (1959) and Dahl (1961). Everett also questions Bridgman and Davis’ premise that good content can be derived from the policy cycle itself, and stating that the cycle “is not a substitute for the actual making of decisions but an administrative and bureaucratic mechanism for effectively setting in place a process once the decisions have been made.” While some issues can be resolved applying the policy cycle process, Everett writes, others are better understood or dealt with as primarily power plays (2003: 70).

Bridgman and Davis counter Everett’s claim saying that while their model is logical it was “not intended to be rational” nor “to create an alternative process to power plays or to supplant politics”. The rationalists, in Bridgman and Davis’ interpretation, sought to apply the scientific method into public life and suggested that “a rigorous and unchanging form of analysis would ensure a single, correct answer for any policy problem”. This, they say, is impossible, pointing to the quick repudiation of many rationalist models that failed to appreciate the complexity and constant compromises of government (Bridgman and Davis 2003). They further counter that their series of sequential steps is nothing like the original rationalist models, and suggest that Everett is confusing the process of policy development (which their model attempts to distil into distinct elements) with policy decisions (which are about content and inevitably involve additional political dimensions and influences). Some of Everett’s points are valid. Bridgman and Davis themselves state in their

Australian Policy Handbook that good process does not guarantee good content or outcomes. Cosmo Howard (1995:3) found that in many senses the policy cycle “coheres with the experiences and values of [Australian] policy analysts working in contemporary bureaucratic contexts” and “captures some of the fundamental features of current policy formulation” but cautions that care must be taken to distinguish between normative and descriptive use of such models.

One major weakness of Bridgman and Davis’ APC model and accompanying manual, *The Australian Policy Handbook*, is that it makes scant reference to federalism, the broader political and governance system in which all Australian policy activity take place. For example, the third edition (2004) contains no references to federalism, while the fifth edition (2013) has just three references, all of which refer to significant challenges faced by those devising, implementing or researching policy in Australia. For example, vertical fiscal imbalance is fleetingly mentioned in the chapter on policy instruments, followed by the statement that “this financial dependency allows the Commonwealth, through tied grants, to dictate policy in areas which are normally the responsibility of states” followed by the statement that “the federal division of powers is a major constraint on selection of policy instruments in an Australian setting” (Althaus, Bridgman and Davis 2013: 92). Similarly, the chapter on implementation identifies that “contemporary Australian federalism increasingly dictates that policy delivery should occur across jurisdictions” but that implementation units in Australian governments focus only on intra-jurisdictional implementation (Althaus, Bridgman and Davis 2013: 174) with reference made to a paper by one of the authors on the Commonwealth Government’s Building the Education Revolution initiative which relied heavily on state cooperation (via tied grants) for implementation (Althaus 2011). All editions of the book focus on the Commonwealth level, leaving unanswered questions on how policy making processes may differ at the state level, particularly in regard to policy instruments, coordination and implementation. These questions will be explored with the Victorian case study in chapters Four and Five.

Beyond the policy cycle: Understanding why some reforms ‘get up’ and others don’t.

The work of John Kingdon (1984) on agenda setting and reform windows provides a useful framework for elements involved in policy reform not encompassed by Bridgman and Davis’ model. Kingdon helps explain why some policies get up and others do not by offering a framework for assessing the presence and influence of factors such as policy actors and the political environment.

Combined with the Australian Policy Cycle, it is a useful analytical tool for understanding the direct or indirect influence of federalism on a more qualitative basis.

Kingdon posits that policy reforms occur when three separate and independent streams – a problem stream, a policy stream and a politics streams – are aligned to create a ‘window of opportunity’ which is then exploited by a ‘policy entrepreneur’. Preceding the alignment of these streams is what Kingdon describes as ‘initiation’, unsettling conditions or a series of events that provoke dissatisfaction with the status quo and disposition towards policy action. The problem stream refers to a political problem, such as the failure of existing policy or a new issue. The policy stream refers to a society’s public policy preferences and the presence of alternative policies, developed by policy experts, responding to the defined problem within those preferences. The political stream refers to favorable politics – such as adequate parliamentary support, strong public support, or a weak and fragmented opposition. The policy entrepreneur could be from within the government such as a minister, or external to government such as a high profile community leader, who would drive the reform process and shepherd them through a window of opportunity, sometimes even creating or prolonging such a window.

Kingdon’s model can be viewed as an extension of Richard Simeon’s ‘Funnel of Causality’ which similarly emphasized the dependency of policy on context and contemporary circumstances (1976)²¹. Like the Australian Policy Cycle, Simeon’s model was an explicit attempt to synthesize existing literature on various aspects of policy development and political decisions into a simple model to distil common features and provide a basis for comparative studies or single cases. At the time, Simeon wrote “almost every aspect of policy making in Canada remains shrouded in ignorance if not mystery” (1976: 549). He recognised that while bureaucratic agencies are central elements in reform and cannot be ignored, policy making is not simply a matter of problem solving and finding the best and most effective solution. It goes beyond public administration and encompasses both conflict and compromise.

²¹ It is possible for someone may consider Kingdon’s model as an explanation of timing only and not of substantive outcomes. I will argue, supported by original evidence from my case studies, the Kingdon can be useful in understanding much more than the timing, including *whether* and *why* the reform proceeded, the *scope* of the reform, the implementation *pace*, the selection of *policy instruments* and more.

Bureaucrats and politicians operate within a broader political framework, defined by such factors as prevailing ideologies, assumptions and values, structures of power and influence, patterns of conflict and division, and so on. They make critical choices, but rather from a limited set of alternatives. (Simeon 1976: 549)

Kingdon's model is also a development of the 'Garbage Can' model of decision-making which was developed by Michael Cohen, James Olsen and Johann March (1972) to explain how big decisions are influenced by both random elements (budget conditions, other pressures) and routine elements (such as organisational policy making processes). The Garbage Can model is based on the assumption that decision-making is sloppy and haphazard, with decisions resulting from an interaction of four independent streams of events or variables: problems, solutions, participants and choice opportunities. This could include 'solutions' that were looking for 'problems' to answer. While this model was developed to explain decision-making by university leadership, it has come to be used to explain government decision-making.

Strengths and limitations of Kingdon's model

Kingdon's model of agenda setting and policy reform has come under critical scrutiny when applied to subnational policy making scenarios. For instance, Scott Robinson and Warren Eller (2010) found little evidence of policy elites and policy entrepreneurs beyond government dominating the policy reforms at the school district level in the United States.

However, for the purposes of this study, Kingdon's model offers several advantages over these two earlier models, and over alternative models. Firstly, it was explicitly developed to assist the analysis and understanding of government decision-making processes as they applied to instances of reform, and goes beyond Simeon's model with its addition of the policy entrepreneur. Secondly, Kingdon's model and its terminology have been compellingly applied to reforms in federal systems, with the argument advanced that in federal systems, just as in unitary systems, reform happens when a policy window opens. For example in Australia, Robyn Hollander and Haig Patapan (2007) employed Kingdon's model to broadly discuss the dynamics involved with the realisation of major reforms and intergovernmental agreements during the 1990s, such as national gun control measures and the Goods and Services Tax. The framework has also been employed by Elizabeth and Frank Harman (1996) to understand the National Competition Policy of the early 1990s. Finally, as was the case with the Australian Policy Cycle, the policy actors interviewed for this study

spontaneously referred to Kingdon's model and its terminology to describe factors influencing the progress of the policy they were involved with, namely the existence of windows of opportunities and references to the minister in each case as a policy entrepreneur who spearheaded the development of the reforms and shepherded them through cabinet and beyond. Use of the same theoretical frameworks as these policy actors allows me to share the policy actors' conceptual approach, adding a greater degree of clarity and consistency than would otherwise be the case. I do, however, accept Simeon's argument that governments have limited policy choices available to them due to budget or political restraints, and Cohen, Olsen and March's claim that in some instances – or in the minds of some policy actors - policy 'solutions' can predate the policy 'problem'.

Conclusion

Drawing together these strands of literature from federalism and policy making we are left with a set of hypotheses to examine with respect to my case studies of Victorian and Commonwealth schooling reforms.

No single conceptual model can describe a modern federal system (Bakvis and Skogstad 2008). This is due to the inherent flexibility and dynamism of institutions (March and Olsen 2006), and their responsiveness to context, societal influences and actors (Livingstone 1956; Cairns 1977; Smiley 1987; Benz 2010). This is not necessarily a bad thing. It can reflect an institution's evolution in line with changed societal circumstances and preferences. This emphasises the conceptual, descriptive and practical limitations of these models – especially coordinate and cooperative federalism - which makes it a puzzle why these models remain so powerful and so often yearned for.

Federalism encourages and supports policy diversity, innovation and competition, and the sharing of best practice and policy goals at the state level to drive more responsive and effective policies (Twomey and Withers 2007; Silver 2010; Keating and Wanna 2000). It is best for states to provide services given their superior local knowledge, administrative capacity and ability to fine tune policies to local circumstances and local preferences (Productivity Commission 1993: 7-9, Twomey & Withers 2007, CAF 2007, Althaus 2011).

Horizontal competition can drive this policy innovation and improve policy outcomes (Wallner 2009; Brumby 2013; Silver 2010; Dawkins and Grewal 2011) but vertical competition can be either welfare enhancing (providing opportunities for additional democratic engagement and more

government responses (Hollander 2010; Elazar 1985) or detrimental, resulting in poorly allocated services (Monro 2001; Dawkins and Grewal 2011).

Overlap of government roles and responsibilities can indicate a healthy sorting of roles (Galligan 2008), promote enhanced responsiveness (Landau 1969, Walsh 2006, Pincus 2006) or act as an 'insurance' mechanism (Elazar 1985; Hollander 2010). While a complete division of responsibilities is unfeasible (Mathews 1980), clearer division of functions is preferable (Twomey 2007; Keating and Wanna 2000), particularly in relation to schooling funding and related programs (Review of Funding for Schooling 2011; SEWREC 2004; CAF 2006; SPC 1991). If both state and Commonwealth governments are active in a space, then some form of collaboration is required to mitigate sub-optimal resource allocation and program decisions (CAF 2006).

The influence of intergovernmental institutions such as COAG and their ability to forge national agreements is influenced foremost by pragmatism (Hollander & Patapan 2007) and the alignment of actors' objectives within constraints such as time, budget or parliamentary support (Painter 1998).

John Kingdon's model of policy making has been successfully applied to instances of reform in federal system to shed light on why some reforms proceeded and others did not. It is a more focused adaption of the new institutionalist and rational actor theories, and better suited to analysis of actions within a short period of time, rather than longer-term institutional evolution. Kingdon's model is particularly useful in filling the political gaps in Bridgman and Davis' Australian Policy Cycle, which focuses on the processes and key elements of policy making. Together they form a valuable and original conceptual framework for examining the influence of federalism on the instigation, development and implementation of my Victorian and Commonwealth schooling reforms.

CHAPTER 3: AUSTRALIA'S EVOLVING FEDERAL SYSTEM

This chapter analyses how Australian federalism has developed over the twentieth century to shape policy making in the schooling portfolio. It considers power divisions, intergovernmental relations and fiscal federalism. This is because tied grants are perhaps the most controversial policy instrument in Australian federalism and sit at the intersection of federalism and school funding. This provides a coherent foundation and context for my two case studies in the following chapters. It will also identify some of the ongoing questions and assumptions underpinning Australian federalism.

The Australian Constitution and original federal settlement

The complexities of the Australian Constitution are often ignored, misunderstood or regarded as inefficient or obsolete. Yet understanding these complexities sheds light on the purposes of the original federal settlement, the degree of change to this settlement over time, and its relevance for contemporary policy and governance issues, such as schooling. Australia is said to have a ‘Washminster’ model combining constitutional conventions from Britain’s Westminster system such as responsible parliamentary government, with the federal model practiced in the United States including a written constitution, strong states represented equally in a powerful senate, and a powerful high court (Thomson 1980).

The sections of the Australian Constitution describing the division of powers and financial aspects can be interpreted in multiple ways. The Commonwealth’s areas of responsibility are enumerated in Section 51. Other responsibilities are residual by default and rest with the states. This key provision has led scholars such as K. C. Wheare (1947) Alan Fenna (2008) and Kenneth Wiltshire (2008) to argue that Australia’s constitutional arrangements suggest a clear-cut assignment of responsibilities and that the framers of the 1901 Constitution intended a coordinate model of federalism for the fledgling nation (Singleton et al. 2003). Wiltshire (2008) further argues that in 1901, Australia was seen as six separate economies and that interconnections between them would be few and handled by the few economic powers allocated to the Commonwealth, through joint exercises of power in areas of constitutional concurrency, through state referrals of power pursuant to Section 51 (xxxvii), or through bail-outs of troubled states through tied grants under

Section 96. Significant powers over business, including taxation, would rest with the states. Commonwealth power was thought to be held in check through the Senate, which in Australia possessed stronger powers than most federations. In a similar vein, Section 109 (stipulating that where conflict exists between state and Commonwealth laws the latter shall prevail) could indicate a preference for clarity and singularity over multiplicity of laws on any single subject.

Other scholars refute this coordinate interpretation. Brian Galligan (2008), Robyn Hollander and Haig Patapan (2007) argue that concurrency is at the heart of Australia's federal system. Concurrency is enshrined in the constitutional provisions that allow overlap and flexibility on the powers of each level of government to allow for the sorting of responsibilities in response to changing needs and preferences and unforeseen circumstances. They point to the specific wording of Section 51. While this contains a list of areas in which the Commonwealth parliament has power to legislate, these areas are not the exclusive responsibility of the Commonwealth, and the states can - and do - legislate or conduct other activities in these areas.²²

Section 109 of the Constitution makes it clear that the concurrency and even "messy overlap" was an intentional feature. This section says that "When a law of a state is inconsistent with a law of the Commonwealth, the latter shall prevail and the former shall, to the extent of the inconsistency, be invalid". In other words, the coexistence of state and Commonwealth laws on the same subject was anticipated and allowed. Even conflict between the two does not mean the nullification or repeal of one set of legislation but continuation of both in all but the section(s) where they are inconsistent.

Fast forwarding to the latter part of the twentieth century, state and Commonwealth governments both have ministers and departments overseeing legislation and programs in education, health, transport, housing and many more areas. For the most part, the two levels of government perform different activities in this same policy sphere. But increasingly Commonwealth programs, regulations or legislation either influences or has the potential to influence state government activities in ways that are not always well understood.

According to the text of the Constitution, the states may legislate on an unlimited number and array of subjects, including those subjects listed under Section 51, unless their parliament voluntarily

²² This includes state programs to attract and resettle immigrants (xix and xxvii), acquisition of property for infrastructure or other purposes (xxxii) and international trade (i) and external affairs (xxvii) bilateral economic and cultural agreements with external affairs.

refers their power on a discrete matter to the Commonwealth under Section 51 xxxvii. In contrast, the Commonwealth's legislative purview was limited to those enumerated in Section 51. Section 128, which requires a popular majority of the citizens overall, and in a majority of states to change the text of the Constitution, also suggests the founders viewed the states as sovereign entities, especially when considered alongside the composition and powers of the Senate over Commonwealth legislation and potentially also as a "states' house".²³

However, power and responsibility are two different matters. The Commonwealth's influence extends far beyond the subjects enumerated under Section 51. This is due in large part to Section 96 of the Constitution which stipulates "The [Commonwealth] Parliament may grant financial assistance to any State on such terms and conditions as it sees fit". It is through this provision that the Commonwealth has become deeply financially and administratively involved in schooling policies such as those examined in this thesis. It is sometimes claimed that the founders did not anticipate the extent to which Section 96 would be used by the Commonwealth in the future to intervene in areas understood to be state responsibilities. Yet in 1902 Alfred Deakin, the man who would become Australia's second prime minister, prophetically surmised the future development of intergovernmental relations:

The rights of self-government of the states have been fondly supposed to be safeguarded by the Constitution. It has left them legally free, but chained to the chariot wheels of the Commonwealth. (Deakin 1902)

Section 96 has since been described as the constitutional "seed" from which "opportunistic" or "coercive" federalism has grown, in which tied grants are "used by the Commonwealth to exert policy influence in areas of state jurisdiction" (Fenna 2008: 509). While this seed may have been deliberately sown, the bush that resulted was not expected to have run rampant, perhaps because the degree of vertical fiscal imbalance in the Commonwealth's favour was unanticipated (see for example Fenna 2007). Tim Conlan argues this "corrosive opportunistic behaviour" had come to characterise Australian federalism by 2005, whereby "the national government cherry picks issues of State jurisdiction in which it intervenes for political or ideological reasons, rather than on any systematic basis or for reasons of good government" and where the Commonwealth is overly prescriptive in the policy dictates attached to tied grants (2006: 663).

²³ Nicholas Aroney (2009) has argued that the Australian Senate was not necessarily commissioned as a house of the peoples of each state.

While this is a popular view within and without academia, engaging counter arguments are mounted by other scholars. Cliff Walsh (2006) and Jonathan Pincus (2006) both argue that competition between governments in a federal system, rather than coercion best reflects reality. The Victorian and Commonwealth schooling reform case studies presented in following chapters will assess these two opposing arguments on the effects of tied grants and nature of intergovernmental relations: does the Commonwealth truly coerce the states via tied grants?

The evolution of Australian federalism since Federation

Australia's federal system has profoundly evolved since 1901. Fiscal, legal and political power has shifted from the states to the Commonwealth, resulting in a profound degree of vertical fiscal imbalance and the reliance of state governments on untied horizontal fiscal equalisation grants and tied "Section 96" grants from the Commonwealth in order to deliver services for which they have responsibility, such as schooling. This centripetal shift occurred primarily through political acts of the Commonwealth, through intergovernmental agreements and through rulings of the High Court. There were only minimal and tangential changes to the text of the Constitution through referendum.

The judicial decisions of greatest significance in this stop-start shift of powers from the states to the Commonwealth were the 1920 *Engineers* case, the 1942 *Uniform Tax* case, the 1983 *Franklin Dam* and the *WorkChoices* case of 2006. Each of these saw the High Court reinterpret or build upon earlier reinterpretations of section 51 of the Constitution to allow expansion of Commonwealth heads of power. Ian Ward and Randal Stewart (2010: 137) further state that in 1920, the High Court "abandoned a judicial method that it initially used in order to preserve coordinate federalism, and thereafter exercised its judicial review function in ways that progressively enlarged the power of the Commonwealth *vis-a-vis* the states."

The *Uniform Tax* case of 1942, and the subsequent follow-up case of 1957, was the "crucial component" of the transfer of power to the Commonwealth through the Court's confirmation of the Commonwealth's superior power to raise taxes (Summers 2002b: 92-93). This increased fiscal capacity would then enable the Commonwealth to involve itself in education policy through tied grants by monopolising the collection of income and company tax.

Subsequent High Court rulings (notably *Ha & Anor v. State of New South Wales*) further narrowed the taxes and charges the states could levy. These decisions would further increase vertical fiscal imbalance in the Commonwealth's favour, limit the states' capacity to meet their obligations, and increase influence available to the Commonwealth through tied grants. The degree of vertical fiscal imbalance in Australia is greater than any other comparable federation leading some scholars to suggest that Australia's federation is "perhaps the most centralised one in the world, to the point of reducing it to a unitary state" (Hamil 2004). This demonstrates that it is not necessary to alter the text of the Constitution to change how it is interpreted or applied. The Commonwealth simply acted on the judicial and fiscal opportunities provided to it from these High Court cases and the constitutional provisions for concurrency. In schooling, the most significant Commonwealth actions were the Menzies government's capital grants for school science blocks, leading to subsequent capital and recurrent grants from 1963, and the Whitlam government's decision to provide general recurrent funding (complemented by specific program and infrastructure funding) to all public and private schools from 1974 on a 'needs' basis.

The creation of the Council of Australian Governments, the introduction of a goods and services tax (GST) collected by the Commonwealth and returned to the states, and the National Competition Policy of the early 1990s also contributed to the profound transformation of the Australian federation in regards to intergovernmental relations, institutions, policy responsibilities and powers. While overall, these developments contributed to the centralisation of fiscal and policy powers of the Commonwealth, it is incorrect to say the states uniformly lost power or revenue security. For instance, Andrew Parkin and George Anderson (2007) made a compelling argument that the GST was a "pro-federalist initiative" as it provided the states with secure and growing income, despite the fact it was designed, implemented and collected by the Commonwealth to replace numerous state taxes. The GST also went a long way in achieving the goals of the states as discussed at the 1991 Premiers Conferences, and has unanimous support. However, the fact that the Commonwealth controls the collection and distribution of this tax provides it with the opportunity to withhold or threaten to withhold a state's share of the revenue, such as the Rudd and Gillard governments did when negotiating hospital funding-reform.

The Council of Australian Governments has been described as by Hollander and Patapan (2007) as having a "centralising effect". Yet while the Commonwealth is preeminent in this new institution, there is a greater emphasis on intergovernmental discussion and a greater role for the states than

under its predecessor, the Special Premiers' Conferences, leading scholars such as Martin Painter (1996: 101) to conclude that COAG and associated intergovernmental agreements "did not represent a centralising process" nor "override strongly articulated claims for diversity". Instead, Painter argues they demonstrated the continuing interdependency and autonomy of Australia's state and Commonwealth governments, with potential to realise joint benefits through intergovernmental solutions. Indeed, one of the proposals emanating from these processes one year before the Victorian case study was for the Commonwealth to relinquish all school funding and policy responsibility to the states, with an accompanying increase in the sum of untied grants (SPC 1991).

This section has outlined how the nature and operation of Australian federalism has changed over time and across policy spheres even while the text of the Constitution barely changed. The stop-start centralisation of Australia's federal system has occurred alongside the evolution of other political institutions, such as political parties and the position of prime minister, which have both dramatically increased in prominence since Federation. It is worth noting that these political parties which drive so much of Australian politics are themselves shaped by the federal system. Each party is a federation of independent state branches, each with its own constitution, elections, resources and memberships. Many interest groups, including teacher unions, welfare and business lobby groups, and independent schools' councils have adopted this same structure, with separate branches in each state and a small, national secretariat, which allows them to more effectively engage with separate state and Commonwealth governments. To return to the discussion at the beginning of this chapter, this thesis argues that the influence of the Westminster model on Australia's political system has waned in contrast to that of the Washington model. This underlines the dynamic, mutually-influential relationship between political institutions and their broader cultural, political, economic and legal context. While Australia's 'Westminster' system adopted and blended significant elements of each model at Federation, it is no Frankenstein's monster. It is an organic and dynamic political system with a life and trajectory of its own. As I will demonstrate in my case study chapters, this federal political system in Australia, in turn, shapes political decisions and policy settlements that likewise develop a life of their own.

The Intergovernmental Agreement on Federal Financial Relations

It is worthwhile briefly mentioning the 2008 Intergovernmental Agreement on Federal Financial Relations reached by the Council of Australian Governments in November 2008. Although it occurred beyond the time scope of my case studies, it is a pertinent example of the capacity for flexibility and continuity of institutions and fiscal arrangements. Under this landmark agreement, over 90 Special Purpose Payments (SPPs, tied grants) were replaced with six broad National Partnership Payments (NPPS), representing an enormous structural shift in the operation of program federalism (where tied grants are engineered by the Commonwealth as vehicles for pursuing their own objectives) and of intergovernmental financial relations. This was because the new NPPs theoretically allowed the states greater autonomy in how they use Commonwealth funding to deliver programs or services in their areas of responsibility, as long as they are towards jointly determined objectives and are clearly reported upon. These reforms broadly reflect the proposals put forward by the Council for the Australian Federation (a new institution comprised of all state governments, founded in 2006) in their two research reports, the latter of which focused on schooling responsibilities (CAF 2006; CAF 2007). This is discussed in greater detail later.

Announcing the Agreement, Prime Minister Rudd referred to these reforms as keeping his 2007 election promise to “fix federalism” and “end the blame game” (COAG 2008a), while the Secretary of the Department of Prime Minister and Cabinet (and former Secretary of Victoria’s Department of Premier and Cabinet) referred to the reforms as “making a workable federation” that paid greater heed to the experience and priorities of the states (Moran 2008).

In the education sphere, COAG also signed up to a National Education Agreement, which sought to “achieve a new era of transparency and stronger use of evidence to inform the allocation of resources”. This was accompanied by a National Partnership on Teacher Quality worth \$550 million, a National Partnership on Literacy & Numeracy worth \$540 million and a National Partnership on Low SES School Communities worth \$1.1 billion over five years, delivered by the Commonwealth Government (Rudd and Gillard 2008). However, despite strong evidence that these agreements were based upon genuine, consensual intergovernmental negotiations and that the NPPS were designed to reduce Commonwealth prescriptiveness and increase state autonomy, evidence emerged of a return to familiar patterns of intergovernmental behaviour, with Prime Minister Rudd threatening just several months later to cut Commonwealth funding to states that refused to comply with the Commonwealth’s interpretation of the agreements or with

Commonwealth directives (ABC News Online 2009). A few years later, Prime Minister Gillard informed the states via a live, nationally-broadcast speech announcing the funding details of the Labor Government's National Plan for School Improvement (which required extensive cooperation and funds from the states) that her government "would not be held hostage" to the states, nor give them "blank cheques" for the schooling reforms (Gillard 2013). These verbal missives were launched five days prior to the COAG meeting at which the National Plan was scheduled for negotiation. The Intergovernmental Agreements on Federal Financial Relations demonstrate how rapidly structural institutions and intergovernmental relations can change – even counter to the overriding historical trend towards centralisation – while the aftermath reinforces the argument that the primary influence on intergovernmental relations and institutions at any point in time is the interests of the actors around the table, and the extent to which these interests are aligned, something we shall investigate in depth in the Victorian and Commonwealth case studies through interviews and documentary analysis.

Interpreting the evolution of Australian federalism: Pragmatic federalism?

A useful interpretation of Australian federalism for the purposes of this study on how federalism influenced school policies (and actions of policy makers) at state and Commonwealth levels in the 1990s is offered by Robyn Hollander and Haig Patapan. They posit that between 1983 and 2007 Australian federalism was best described as "pragmatic federalism" and shaped by "pressing problems, specific policy agendas and the prevailing political dynamic, rather than overarching conceptions of federalism derived from political theory or articulated in party ideology" (2007: 280). To reach this conclusion, Hollander and Patapan examined four potentially significant sources of influence and change: the impact of federal theory, the significance of party politics, the influence of policy problems and the role of the legal and constitutional framework. Pragmatism is here understood as a direct engagement with pressing problems unmediated by larger theoretical concerns.

Hollander and Patapan show how pragmatism is a useful explanatory tool for the development of Australian federalism and the common law approach of the High Court which incidentally favoured the Commonwealth at the expense of the states. Judicial review was also pragmatic and happened to favour centralism. (Of course, it must be remembered that the High Court is not monolithic and that a diversity of views exists among sitting justices on most issues. Even where their verdict may

be the same, their reasoning may differ.) Pragmatism can also shed light on the divergent nature and strength of intergovernmental institutions at different points in time. For instance, the frequency of COAG meetings reduced dramatically during the first two terms of the Howard government, before becoming more frequent in later years and especially during the Rudd government.²⁴ During and after this period, agendas were dominated by Commonwealth concerns requiring state cooperation, while state concerns were relegated to the tail end of the agenda, where they received scant attention (COAG 2005; Hollander and Patapan 2007: 287). In the education reform cases investigated in this thesis, it will be shown that the influence of COAG, and of the states within and without COAG, varied not only over time, but also within a single meeting, with productive agreement reached on some agenda items, and intractable difference or hostility preventing progress on others. Agreement between governments did not necessarily result in policy outcomes, but instead could be a shared understanding of an issue and the best way to respond. This understanding was not reliant on partisanship. Nor was intergovernmental agreement a prerequisite for policy progress, with evidence of state and Commonwealth governments each pursuing their own policy agendas independently of formal intergovernmental agreements covering the issue at hand.

This thesis shows that the overwhelming influence on whether governments pursued the implementation of a policy in education individually or jointly was the confluence of problem, policy (solution) and politics (opportunity) streams, to borrow John Kingdon's model (1984). As discussed in the previous chapter, whether these streams come together to create a 'window of opportunity' is often dependent upon the presence of a policy entrepreneur, such as a government minister, to drive the policy solution most appropriate to the problem as identified and, where possible, create or prolong the political circumstances necessary for the policy to be introduced. It underscores the influence and power of specific individuals, and the constellation of policy entrepreneurs and other institutional and political factors (such as the cabinet's reception of a proposal) in determining policy making outcomes in a federal system, as opposed to constitutional, actual or perceived divisions of responsibilities.

²⁴ Prior to the election of the Howard government, COAG met twice each year. Between 1996 and 2001, COAG met just four times, this increased in later terms of the Howard government, with eight meetings in the five years since 2001.

Robyn Hollander and Haig Patapan (2007) reached the same conclusion in their examination of major national reforms under the Hawke, Keating and Howard governments, finding that “political and policy problems are not understood, framed or directed by overarching conceptions of federalism in Australia”. Also drawing upon Kingdon’s framework, they argue that these political and policy problems have typically been resolved in the context of practical exigencies and compromises - when the problem, policy and politics streams come together. This practicality and compromise have been the key, driving factors in the shift towards greater centralisation. While the fiscal and political dominance of the Commonwealth that has resulted may not have been intended by the framers of the Australian Constitution, the deliberate concurrent arrangements and flexible provisions they enshrined allowed it to occur.

Many other narratives have been offered for intergovernmental relations and power balances in the Hawke to Howard period. Some of the most compelling are Andrew Parkin and Geoff Anderson’s “regulatory federalism”, “bypass federalism” and “managerial federalism” descriptions of the Howard government years (2008), Michael Keating and John Wanna’s “purchaser-provider” model (2000), Cliff Walsh’s competitive model (Walsh 2006), Martin Painter’s ‘cooperative’ thesis (1996) and Kenneth Wiltshire’s “recipe for a marble cake” (1992). In the education portfolio in Australia “corporate federalism” (Lingard, O’Brien and Knight 1993), “postmodern performativity” (Lingard 2000), “collaborative federalism” (Keating and Klatt 2012) and “dysfunctional” (Connors 2007) have been used as descriptions of intergovernmental power balance and relations. These differing interpretations are not necessarily contradictory. Rather, they reinforce my central argument that the nature of intergovernmental relations and institutions can differ profoundly at a single point in time and even a single policy area based on the specific item or items under focus.

Intergovernmental relations are complex and dynamic, and as Galligan has offered (2008: 621) whether one sees this as positive or negative depends largely on the viewer’s understanding and preferences. Finally, these alternate and compelling interpretations of Australian federalism in the 1990s especially - the period from which my case studies come - can be complementary and can be accommodated within the pragmatic federalism framework. From a pragmatic perspective, governments found it in their best interests to collaborate on some issues, to work separately on others, and to act competitively or coercively on others again all within a specific time period or

portfolio, in accordance with the rational actor approach.²⁵ The approach taken by governments was shaped, and the form and influence of intergovernmental relations differed, according to practical exigencies and constellation of actors and opportunities on each specific policy problem.

The impact of tied grants on policies in federal systems

No discussion of policy making in areas of concurrent state and Commonwealth activity such as schooling is complete without consideration of the impact of tied grants and the extent to which the ‘tie the hands of the states’. In Australia, tied grants (also known as Special Purpose Payments, SPPs and National Partnership Payments NPPs) are made by the Commonwealth to the states, under Section 96 of the Constitution, to influence or deliver programs in areas which are residual responsibilities of the states. The states administer these payments which in almost all cases are subject to conditions specified by the Commonwealth, which can be extensive. They were first used in 1923 to help fund the provision of roads, and can be divided into two broad categories, grants *to* the states, such as for the funding of public schools, and *through* the states, where the state government passes them on to other authorities operating under their jurisdiction, such as private school authorities, or local government associations. The quantity, depth and breadth of tied grants have dramatically expanded since the 1920s.

The use of SPPs increased significantly under the Whitlam government, leading to political acrimony from states who felt their autonomy was being undermined and contributing to his government’s dismissal and Australia’s only constitutional crisis (Dollery 2002). The Fraser government somewhat reduced the use of tied grants, but this was short lived. The Hawke and Keating governments used the Commonwealth’s fiscal dominance to enhance their political power by reducing aggregate payments to the states in real terms and substituted some tied grants for untied grants (Mathews and Grewal 1997: 529, 754). But in the schooling portfolio, schooling was moved from an independent commission to under ministerial control in a new department that emphasised education’s centrality to the Labor government’s economic and social policy agendas. Throughout this time, greater consistency was sought through additional reporting requirements in tied grants and through Commonwealth-dominated ministerial councils. Andrew Parkin and George Anderson (2007) argue that the Howard government reengineered tied grants as vehicles

²⁵ A similar point has also been made by Cliff Walsh (2006: 55) who said “Substantial amounts of cooperation will exist even in intensely competitive intergovernmental and inter-jurisdictional relationships”.

for pursuing Commonwealth policy and program priorities, resulting in much stronger Commonwealth oversight of and influence over state-delivered programs. In the schools sphere, the Howard government put even more advisory arrangements under direct ministerial control and introduced higher accountability and performance requirements for public schools which duplicated much of the states' own arrangements, while leaving private schools relatively opaque in terms of public scrutiny. The Howard government justified this involvement stating that as the single largest funder of school education, it had the right and responsibility to set financial, policy and administrative directions and to attach conditions to ensure that important reforms are implemented (Australian Government 2004: 5).

There are two main, competing views of the extensive and growing use of tied grants in Australia. One camp sees the proliferation of SPPs as reflecting the adaption of an old constitution to new circumstances and any resulting overlap or competition a "healthy sorting of roles" (e.g. Galligan 2008). The other camp perceives the increasing Commonwealth intervention and ensuing entanglement as a pathology. For example, Alan Fenna writes that "the heavy reliance of the states on the Commonwealth and the resulting constraints and burdens this creates magnifies some of the problems and reduces the potential benefits of a system of divided jurisdiction" (Fenna 2008: 509). Fenna argues that although the grants are meant to be based on an agreement between the two levels of government, there is evidence to suggest that the Commonwealth takes advantage of its fiscal and constitutional dominance and dictates the conditions that are attached. This same argument was made by the Victorian Government to the Senate Inquiry on the Howard government's 2004 revisions to tied grants for schooling, which claimed the Commonwealth unilaterally determined the conditions attached to these grants when they were meant to have been determined jointly (Victorian Government 2004).

Whatever the case may be, the actual policy significance of the conditions embedded in tied grants is the subject of ongoing debate. Some legal and economic analysts argue that the conditions erode state power (e.g. Else-Mitchell 1983; Walsh 1989; Zines 1990; James 1992), while some political scientists submit that the states retain a great deal of the policy and program autonomy (e.g. Galligan 1988; Chapman 1990; Sharman 1990; Parkin 2007) and can 'carve out space' in agreements (Davis 1998). The limited empirical research suggests that the relationship between tied funding and the locus of policy control has varied between policy areas and over time. For example, even when the conditions attached to tied grants have been detailed and restrictive, this

might simply reflect the consensual outcome of genuine intergovernmental negotiation, such as the 2008 National Education Agreement. This does not appear to have been the case under the Howard government's reforms to schooling between 1996 and 2004. This thesis will examine the degree to which Commonwealth tied grants restrict a state's autonomy in the Victorian reform case study.

Criticism of tied grants

Tied grants are increasingly common and have been widely criticized. These criticisms are related to the proliferation of overlapping programs, uncertainties and the growth of grant lobbies and 'grantmanship'; the duplication of bureaucracies at each level of government; the tendency to encourage unrestrained growth of the public sector; inadequate arrangements for consultation and policy coordination between governments; unwarranted interference by granting governments' detailed administration of the grant programs; failure to match grant programs to policy objectives; inadequate accountability; lack of systemic analysis of expenditure needs; and failure to distribute grants on a basis that reflects needs and fiscal capabilities (Mathews 1980: 32-34).

A generation later, these criticisms continue to be raised by scholars and policy actors. In their research paper on SPPs, Scott Bennett and Richard Webb from the Commonwealth Parliamentary Library list the problems as including lack of accountability, duplication of administration and blame sharing (2008). The Commonwealth's involvement in ever more policy programs through its SPPs has led to an erroneous perception among much of the Australian public that the Commonwealth has full or primary responsibility for many functions whose constitutional responsibility lies primarily with another tier of government (Colebatch 2007). This involvement is leading to ever-greater expectations of, and electoral pressure on, the Commonwealth government, which can contribute to greater involvement and exacerbation of these problems (Bennett and Webb 2008: 1). Importantly for this study, all of these criticisms are repeatedly voiced in relation to school funding, which appear to be adversely affected by SPPs and the nature of concurrent responsibilities.

The criticism of tied grants has grown as the use of tied grants has grown, and now even those that view them favorably agree that reform is needed. Richard Carling, for instance, recognises the legitimate (although limited) role for tied grants where in their absence the recipient government would deliver a suboptimal level of service, or if there is an agreed national policy objective that can only be achieved through coordinated subnational delivery. However, he says that tied grants in

Australia have gone well beyond this narrow scope (2006: 73). Similarly, Michael Keating and John Wanna have identified that “even ardent centralists recognised that specific-purpose programs were often not achieving their intended objectives, and that frequently state governments - while complaining about the conditions - were subsequently able to evade them” (2000: 133). While no policy areas nor individual policy reforms at state or Commonwealth level are discussed in detail to support this argument (which instead was a broad analysis from an intergovernmental and national perspective), Keating and Wanna suggested that schooling in one of the few policy areas in which the states have retained power for unilateral initiatives.

Most of the literature on vertical fiscal imbalance and tied grants in Australia assumes that vertical relationships are dominated by the Commonwealth and its coercive powers. It is also assumed or asserted that where there are overlapping federal and state policies or programs, it results in the blurring of responsibilities, waste and inefficiency (Walsh 2006: 55). To explore these issues, we will now broadly look at the operation and effectiveness of tied grants from the Commonwealth to and through the states for schooling and related programs.

The effectiveness of Commonwealth tied grants for schooling

In her comprehensive doctoral study on the impact of Commonwealth involvement in schooling from its origins until 1997, Louise Watson found that the effectiveness of federal funding has been undermined by the poor definition of policy objectives, inadequate monitoring of program performance and the split in funding responsibilities between the two levels of government. Difficulties also arose from the conditionality aspects of tied grants. It was impossible for the Commonwealth bureaucracy to determine if, or the extent to which, states met the conditions set by the Commonwealth due to the ability of states to fudge or not provide adequate or helpful information, a demonstration of the asymmetrical information aspect of the principal-agent problem. Another side effect that is mentioned, though not explored in depth, is the diversion of resources (money, personnel and time) from delivering programs at state and school level to meeting the often onerous reporting and accountability provisions demanded by the Commonwealth.

Another negative side-effect of the Commonwealth’s involvement in the recurrent funding of schools via tied grants is that “it has influenced the structure of education provision and compromises the capacity of State and Territory governments to develop consistent school funding

policies for both public and private providers” (1998: vii) She concluded that public accountability, and policy goals such as educational improvement and equity, would improve if the Commonwealth withdrew from the recurrent funding of public and private schools. To this end, she proposed that all general recurrent Commonwealth funding for schooling currently delivered by SPPs - \$3 billion dollars in 1998 when she was writing - be transferred to untied (general financial assistance grants) to each state and territory, administered by the Commonwealth Grants Commission. Each state and territory would then be fully responsible for determining the funding shares and formulae for all public and private schools within its borders. While she acknowledges this dramatic revision to Australia’s school funding settlement would likely be met with resistance, particularly from the Commonwealth and from the private school sectors, the reform would “improve public accountability for school education expenditure in Australia” (1998: vii). Her conclusion was based on a detailed examination of Commonwealth programs for schooling since their debut, but especially since the introduction of general recurrent funding for public and private schools in 1974, and took fiscal considerations, accountability and policy goals into account.

More recently the Review of Funding for School’s *Final Report* chaired by David Gonski concluded that the current division of funding and policy responsibilities between state and Commonwealth governments was unbalanced, inefficient and incoherent, contributed to sub-maximal resource allocation by policy makers and the growing inequities in resources and educational outcomes between schools.

When considered historically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian government and State and Territory governments across the schooling sectors.

There is a distinct lack of coordination in the way governments fund schooling, particularly in relation to directing funding to schools based on student need across jurisdictions and sectors.

There is also a significant overlap in the funding priorities of the Australian Government and state and territory governments. The overlap leads to duplication and inefficiency, and makes it difficult for governments and policy makers to decide how best to fund the needs of school systems and schools. (Review of Funding for Schools 2011: xiv - xiv)

This Commonwealth-commissioned review did not go so far as to recommend the Commonwealth cease providing general recurrent funding to schools via tied grants. But it did repeatedly

recommend greater collaboration with the states (inferring inadequate collaboration historically and currently on funding allocation decisions) and emphasised that the states should retain responsibility for distributing Commonwealth tied grants for schooling among schools in their systems as they saw fit due to the evidence pointing to their superior local knowledge and administrative capacity. It recognised that the “states and territories have constitutional responsibilities for the delivery and management of schooling” and “require a strong degree of autonomy to meet the needs of their state or territory, school communities and student population” (Review of Funding for Schooling 2011: 193). It also called for the Commonwealth government to respect the states’ policy autonomy in the schooling portfolio, intervene less and provide the states with greater autonomy and flexibility on how they run their school systems, based on the principle of subsidiary, the constitutional allocation of schooling (as a residual power) to the states and their demonstrated superior capacity. The precise impact of federalism in the form of institutions, processes and division of responsibilities on processes of policy making was not examined in detail by the Review, despite the finding that current arrangements were having a detrimental effect and that revisions to the responsibilities of each government, to institutions and to funding formulae were needed.

Similar conclusions were reached in 1990 by the forum that became the Council of Australian governments and by the Tied Grants Working Group they established. The heads of Australia’s governments wanted a clear division of responsibilities whereby most services could be assigned to a single level of government, and a rationalisation of tied grants “funding would have a simple relationship to functional responsibility and adjustments to Financial Assistance Grants [by rolling in the amounts currently delivered through Special Purpose Payments] would follow as appropriate”. The states also sought “great flexibility in the management of their budgets” through a reversal in the growth of tied grants from the Commonwealth to the states as a proportion of fiscal transfers (Communiqué 1990, 2 October, cited in Watson 1998: 55).

The tied grants working group recommended that schooling become solely the responsibility of the states and territories, and that the further education (university, vocational and technical) responsibilities of the states be referred to the Commonwealth, who would exercise sole responsibility for this upper level of education. Schooling had been a prime target for fiscal reform because it was a residual responsibility for the states in the Constitution. Despite having ‘in principle’ support from the prime minister and especially premiers (who were in favour of the

budgetary flexibility this reform proposal would have provided them), it was met by political barriers within and without government and was ultimately unsuccessful. The state education ministers did not want to lose Commonwealth funding for their portfolios, fearing that if tied grants for schooling were rolled into untied grants to state treasuries a proportion of 'their' funds may go to other state priorities. At the Commonwealth level, the minister and departments were reluctant to relinquish control of school education (and other programs funded by SPPs in areas of primary state responsibility). The private school sector, particularly the Catholic education authorities, were likewise strongly opposed to the proposal to convert schooling SPPs into the large untied grants. Private schools had been the major beneficiaries of Commonwealth funding for schools, which increased at a rate of increase greater than that received from state governments and in excess of their relative need and enrolment growth. They were thus concerned that the reform could see a reduction in funding and their lobbying succeeded in private school funding being removed from the terms of reference. Ultimately, the leaders' decision to convert SPPs for recurrent public school funding to FAGs did not proceed either. It was scheduled for discussion at intergovernmental meetings in 1992, but was deferred till 1994 and was later overtaken by other events (Watson 1998: 55-57). While Hawke had been amenable to the fiscal reforms, the Prime Minister Paul Keating was opposed to reducing Commonwealth involvement in schooling and other areas where "there was a national dimension as well as a state dimension" (1991: 1). But, while the limitations of tied grants were identified by Watson and by the Review of School Funding, particularly in relation to accountability gaps, their impact - positive or negative, direct or indirect - on policy making processes or implementation, particularly at the state level, were not specifically examined.

This knowledge gap is partially filled by *Federalist Paper 2: The Future of Schooling in Australia*, a report by Australia's states and territories into current and desirable government roles and intergovernmental relations in schooling (CAF 2007). Although it doesn't go into significant detail on policy making processes, it is a valuable contribution from the state and territory level about schooling reform at all levels. The report states federal arrangements in the schooling portfolio encourage policy diversity and enable governments to share best practice and apply them in local contexts, saying that "this combination of policy experimentation and cooperation has contributed to the levels of student performance Australia achieves" (CAF 2007: 24). It goes on to say that the 1989 Hobart Declaration established a framework for much stronger cooperation on education between states, territories and the Commonwealth than had been achieved before, from which "jurisdictions continued to *work together* to understand and develop successful education practice,

with cooperation generating significant reform in the areas of curriculum content, teaching practice and shared understanding about the nature of schooling". It concludes by stating that "*clearly, cooperation that promotes national consistency* which emphasises the importance of *diversity and innovation* must be a key focus for *achieving enduring reform*" (CAF 2007: 24). (Emphasis added) Interestingly the emphasis here is on cooperation and competition between states, rather than vertically, or between different levels of government.

Studies of recent Commonwealth schooling initiatives funded via tied grants provides additional evidence in support of the Commonwealth limiting itself to playing a refined, strategic and supportive role, rather than seeking to lead policy and dictate policy instruments, inputs or results. Catherine Althaus (2011) studied the implementation of the Rudd and Gillard Labor governments' Building the Education Revolution (BER) initiative, a major prong of their stimulus package in response to the Global Financial Crisis. She concluded that the Australian public service lacked the "street knowledge" and know-how possessed by the state government public service (Althaus 2011: 421). Vijaya Ramamurthy examined the implementation and policy outcomes (as opposed to policy making processes) of Commonwealth tied grants for schooling and hospitals with a focus on the last decade. She found that the Commonwealth's policy reach via tied grants was limited, despite their fiscal dominance, due primarily to policy resistance amongst the states and implementation uncertainty inherent in tied grants. She further found that in its attempts to overcome such resistance and uncertainty, the Commonwealth showed:

A propensity to engage in a range of counter-productive bargaining behaviours, including the adoption of sub-optimal policy solutions, excessive regulation, an emphasis on macro-economic objectives, convoluted policy compromises and biases towards larger states. (Ramamurthy 2012: 129)

In her analysis, these behaviours contributed to "performance deficiencies" and concluded that discarding these behaviours and top-down approaches is "vital to securing more efficient and effective tied grants in the future" (Ramamurthy 2012: 129). In short, education performance outcomes are likely to be higher if the states lead policy leadership, determine policy instruments and manage implementation without Commonwealth interference or prescriptiveness.

Lessons from other federations

Additional insights on the effects of tied grants can also be drawn from their use in the United States, where they are prolific. This is perhaps because they are relied upon more heavily than intergovernmental agreements, which are more difficult to forge between over 50 governments than between nine. Most of this research focuses on fiscal and spending outcomes, rather than impact on recipient government autonomy or programs. Most grants for educative purposes flow from the federal government to the states, or more commonly, to school districts and local governments, who retain primary responsibility for providing and running school systems (Fisher and Papke 2000). Nina Gordon (2004) has found grant income for schooling purposes to be highly complex and opaque, shifting in effectiveness between levels of governments, between states and across time. She concluded that US policymakers “will continue to grapple with the challenges of intergovernmental transfers for some time” as there is no single strategy for ensuring funds are spent as intended, rather than diverted or crowded out (2004:113). She further cautioned that additional conditionality can reduce local autonomy with unintended, negative outcomes on various measurements of school spending effectiveness.

A comparative study of the practice of fiscal federalism led Anwar Shah to develop a list of lessons for policy makers based on international evidence on tied grants. Two of these are of particular pertinence for this study of schooling policy making in Australia. Policymakers within federal governments should “focus on a single objective in a grant program and make the decision consistent with that objective. Setting multiple objectives in a single grant program runs the risk of failing to achieve any of them”. Secondly, policymakers should “impose conditionality on outputs or standards of access and quality of services rather than on inputs and processes. This allows grantors to achieve their objectives without undermining local choices on how best to deliver such services” (Shah 2007: 34) These general lessons match nicely against the findings of Catherine Althaus (2011) and Vijaya Ramamurthy (2012). We will see in the following chapters whether they lend themselves to the case studies of Victorian and Commonwealth school funding reforms.

Conclusion

This chapter has shown how federalism has evolved in Australia to affect policy making and state autonomy generally and with respect to schooling, where increased Commonwealth presence and the use of tied grants is the subject of virulent and continuous debate. The scholarly focus of

Australian political scientists and other constitutional researchers on the *divisions* and institutions of *power* (especially the use of tied grants) has resulted in what Hollander and Patapan (2007: 281-82) describe as “a history of Australian federalism defined by where power resided in the centre-region continuum and in the style of interaction between governments”, and where overlap is viewed with pessimism more often than not. Broad analyses of schooling policy and tied grants emphasise that while overlap offers advantages, the growing use of tied grants and growing prescriptive and unilateral nature of these grants undermines the potential benefits of federalism, especially policy autonomy and innovation capacity and contributes to implementation difficulties and worse educational outcomes. The original doctoral research presented in the next four chapters on landmark Victorian and Commonwealth schooling reforms provides an important chapter to this ongoing history and debate. Are the claimed benefits of federalism still evident? Do states still possess autonomy in schooling or has growing centralisation and use of tied grants effectively tied the hands of the states? We will now consider these compelling questions by turning to the second half of this doctoral thesis: the case studies.

CHAPTER 4: THE SCHOOLS OF THE FUTURE REFORMS

The Victorian government's Schools of the Future (SOTF) reforms have been widely described as landmark reforms. Both ardent supporters and staunch detractors have identified these reforms as the most dramatic and far reaching transformation of any Australian public school system in the twentieth century (Townsend 1997; Spaul 1999: 742; Haywood 1998, Caldwell 1998) and impartial observers have similarly identified the pace and scale of the reforms as unprecedented (Pascoe and Pascoe 1998: 11, 26; Odden and Odden 1996).

The reforms were comprised of three core elements: increased operating autonomy for public schools (devolving budget funding, hiring and strategic decisions to principals and school councils); the introduction of a state-wide curriculum and academic standards; and a state-wide assessment and reporting framework to increase accountability with enhanced information for parents. As a result of these reforms, 93 per cent of the Victorian government's public school education budget - including the portion provided by the Commonwealth via a tied grant - was devolved to individual schools and there was a significant reduction in the number of bureaucrats and teachers (Hayward 1995, Townsend 1997, Cooperative Research Project 1995, Cooperative Research Project 1996). Changes to the remuneration structure and career paths of teachers and principals were also introduced. At the time, the reforms were the largest ever devolution of a public school system anywhere in the world, effectively creating a public system of self-managing schools (Caldwell 2004). Elements of these reforms would later be adopted by all other Australian governments. It is thus an ideal case to examine this thesis' research questions on the influence of federalism on policy making and the appropriateness of the dominant models of federalism and policy making on subnational reforms in Australia in the 1990s. It is also fertile ground on which to explore competing claims discussed in previous chapters about the effects of federalism on policy making, most notably that tied grants inhibit state policy autonomy, that federalism promotes a policy laboratory effect, that concurrency can have both protective and perverse effects on policy outcomes, and that governments and other policy actors are driven more by pragmatism and the pursuit of their own goals than by federal principles.

Little has been written on SOTF. Most of what we do have emanates from highly-involved political actors such as the minister and department that designed and implemented the reforms, teachers unions, and those that advised the minister or conducted paid research for the government, or had some personal involvement in the campaign against it. Furthermore, most of this earlier work has focused on the effects of the reforms on job satisfaction, aggregate spending, equity or student achievement. This chapter has a different, complementary approach and objective – understanding the story and development of these reforms. It focuses on policy development and implementation (rather than the virtue or outcomes of the reform) and assesses the usefulness of the Bridgman and Davis' Australian Policy Cycle and Kingdon's 'streams, entrepreneur and windows of opportunity' model as descriptive and analytical tools for state reforms within a federal system. This story of the development of the reforms then sets the foundation for the next chapter, which examines the manner and extent to which the reforms were influenced by the institutions, actors and processes of Australian federalism and assesses the usefulness of federalism models.

This chapter begins by tracing the origins of the policy idea from its genesis in Victorian devolution initiatives in the 1970s and later iterations elsewhere, demonstrating evidence of inter-jurisdictional policy learning and adaption to local contexts. Next, I outline the education policy context immediately prior to the Schools of the Future reforms to show how these reforms were framed by the Victorian policy makers as a state government policy response to state problems, and show how the broad policy framework and objectives were developed prior to the Coalition government winning office. I discuss how further development occurred simultaneously to implementation, which began immediately after the 1992 election, and how the Victorian government was able to tightly manage these processes. Following this I outline the final shape of the reforms and their outcomes. While the full set of reforms are discussed, only the school funding and accountability elements are analysed in depth, as these are the areas where state and Commonwealth roles and responsibilities in schooling overlap to the greatest degree. These elements were also the most controversial. The chapter finds that the Victorian education minister Don Hayward and his team were able to drive these reforms through at such a rapid pace because of their unilateral and focused approach to schooling reform; the constitutional and political division of responsibilities (whereby the Victorian government had direct connections to schools); contextual factors (landslide election victory attributed to budget mismanagement by previous government and making electorate more accepting of dramatic reforms); and tied grants from the

Commonwealth that buffered somewhat against the state-level budget cuts but did not restrict policy innovation due to their focus on policy outcomes rather than policy measures.

The genesis and evolution of the school devolution policies

In the context of education policy, devolution refers to a structural change whereby powers and responsibilities (mostly budgetary, but also curricula, discipline, maintenance or planning responsibilities) are transferred from central authorities such as education departments to individual schools or groups of schools. The role and functions of these central authorities are then rationalised to the development of policy goals and frameworks, enforcement against these frameworks, and providing technical and other support.²⁶ It is usually driven by an economic stress or constraint, or a desire for greater efficiency and effectiveness (Offe 1975, 1985, 1986). The trend towards devolution to schools is an international phenomenon, taking off from the 1970s, with developments in England, Canada, New Zealand and the United States most commonly cited by Australian researchers and policymakers. So great was this trend, that Brian Caldwell and Jim Spinks (1995) referred to it as a “megatrend”, a concept defined by John Naisbit (1982) as “a major societal change which is consistent in direction, international in scope and enduring in effect”.

Both the principle and practice of devolution had been embedded in Victorian education policy from the 1970s to a greater degree than any other Australian state (Ministry of Education 1980; Keating 2010; Marshall 2009; Caldwell 2010). Devolution formed the basis of the establishment of school councils by the Liberal government in the early 1970s and again in the 1975 amendment to the 1958 *Education Act*, which made school councils the legal agents of the government with some responsibility for managing school finances and facilities and advising the principal on issues of school quality (Caldwell and Spinks 1988: 5; Roskam archives; *The Age* 1990). Devolution as a strategy for school improvement and enhanced management was reaffirmed in the 1980 Green Paper on Education Policy, where principals received authority to determine school policies in consultation in their school council, and school councils’ discretionary powers were increased to hire non-teaching staff and authorise the use of school grounds and facilities by external organisations, for example by local community groups (Ministry of Education 1980).

²⁶ This structural change is also referred to as decentralisation, or by its end goal, referred to variously as school-based management, independent public schools, self-managing schools or local/principal autonomy.

Educational management was further devolved to Victorian schools following the election of a Labor government in 1982 (Commonwealth Schools Commission & Education Department of South Australia 1982: 19). The five guiding objectives underlining this decision were set out in Ministerial Paper No. 1 (1983): introduce collaborative policy making, improve educational outcomes, improve decision-making, foster a more responsive bureaucracy and redress disadvantage and discrimination. By 1984, school councils were involved in curriculum planning and were responsible for determining the general education policy of the school within guidelines set by the Victorian education minister. By 1985, they were given greater influence on the selection of their school principal (Townsend 1995: 3), and 500 schools also received greater control over their budgets and curriculum (Caldwell and Spinks 1986: ix). This devolved educational responsibility and authority was based on “the belief that the people at school level - parents, teachers, administrators, students - are the ones best able to make decisions about how their local school should operate”, and the explicit aim of this strategy was “to assist schools in improving the learning environment for all students” (Ministry of Education, 1986a: 1).

The shift towards educational devolution was not isolated to Victoria. Other Australian states were referring some decision-making powers that had previously been the exclusive province of education ministers and their departments to school communities and representative groups (Commonwealth Schools Commission and Education Department of South Australia 1982: 19). Sometimes this was done with specific legal authority, sometimes through the use of ministerial discretion, and sometimes through consultation with elected representative groups. South Australia was the first state to officially encourage the strategy. In a 1970 memorandum, Alby Jones, the South Australian Director General of Education told principals of public schools they possessed undisputed control of their schools and urged them to consider local variations to subjects and governance within a centralised framework. Shortly after, the *Interim Report of the Committee of the Australian Schools Commission* (1973)²⁷ identified devolution as a guiding principle of resource allocation and recommended greater self-management for schools, which Victoria and the Australian Capital Territory began implementing in 1975 and 1976 respectively (Hugh Watson

²⁷ This Committee’s final report, known as the Karmel Report, would recommend the Commonwealth provide general recurrent funding for all schools based on their relative need, a landmark event in Australia’s intergovernmental schooling policy settlement.

Consulting 2004).²⁸ Other states followed suit in the 1980s, with Tasmania decentralising a greater proportion of its recurrent Commonwealth grants for schooling to schools than any other state at the time (Caldwell and Spinks 1986). This was again followed by another burst of reforms from 1989 aimed at educational restructuring, though each state differed in the models adopted, their breadth and depth, and reform pace, with New South Wales devolving fewer responsibilities than other jurisdictions (Caldwell 1993: 6; Scott 1990; Gamage 1996: 47).

Devolution was (and remains) controversial. In a 1986 proposal, the Victorian education minister Ian Cathie proposed devolving additional powers to schools, including teacher appointments and remuneration. His plan, *Taking Schools into the 1990s*, was underpinned by a report by the Ministry of Education (1986a). Yet his plan was rejected by cabinet later that year following opposition of the three major teaching unions, some parents' groups and some bureaucrats (Ministry of Education 1986b), and the episode prematurely ended Cathie's ministerial career (Gough and Taylor 1996: 73; Caldwell 1998: 24; Marshall 2009; Caldwell 2010; Keating 2010). This demonstrates the limited extent to which devolution was politically feasible under the contemporary constellation of political power. Subsequent government reforms in February 1988 devolved many administrative and management functions for Victoria's 2000 government schools from the central office to regional offices, although opposition from unions and elements of the bureaucracy prevented additional school-based management reforms.

The Liberal Party's education policy for the 1988 state election, *Raising the Standard*, proposed increased devolution, as well as greater school competition through an abolition of school zones, and enhanced autonomy over finances and staffing decisions (Liberal Party, Victorian Branch 1988). Their proposed policy platform included a revision of the Cathie proposal rejected by the Labor cabinet two years earlier and was a prototype of the Schools of the Future reforms later extensively developed by Don Hayward in advance of the Liberal Party's successful 1992 election campaign.

Thus, while the Schools of the Future reforms represented the greatest degree of system devolution and school autonomy up to that date, they should be more accurately understood as an extension of the earlier initiatives rather than a revolution, given that most elements of the reform package had been consecutively introduced, albeit to a lesser degree, over the previous 20 years. This suggests

²⁸ Under the ACT Schools Authority Act of 1976, government schools largely responsible for development of some school-based curricula, assessment practices and pedagogy, and some school-based evaluation.

that the Schools of the Future reforms were enabled by the favourable constellation of political actors and opportunities, namely a receptive cabinet and the Liberal-National Coalition government's ability to easily push the reforms through parliament, despite Labor and union opposition, due to its significant majority in both the legislative chamber and council, with a large degree of public acceptance due to financial crisis that had engulfed the state and led to a belief that dramatic reforms were required to remedy it. These factors will be analysed in greater depth later in this chapter. We now turn to the immediate policy context in which the Schools of the Future reform package was developed.

Victorian education policy 1980 – 1992

Victoria is the most compact and second most populous of Australia's six states. Its free, secular and compulsory public education system was formally established in 1872. The public system operated alongside systems of private schools, which mostly consisted of relatively-poor Catholic parish schools, and a smaller number of relatively-wealthy grammar schools modeled on the British 'public school' (Caldwell 1998: 10). This schooling settlement was later profoundly affected by the doubling of the population in the 1950s and 1960s (due to the 'baby boom' and mass migration), the debut of recurrent, general Commonwealth grants to private and later public schools, and the transition from national and local economies to a largely-deregulated global economy. These changes resulted in a greatly-expanded school system and school bureaucracy. Public schools — enrolling two thirds of Victorian students — operated under the 1958 Victorian *Education Act* and overall responsibility for school education rested with the Minister for Education, supported by the Department of Education (Victoria Auditor General 1995: 15).

The ten years preceding the Schools of the Future reforms were a turbulent period in Victorian education policy. The Victorian Certificate of Education (VCE) was introduced in 1987. This was a new high school completion certificate that students completed over two years and which sought to democratize access to higher and technical education through a much wider variety of senior school subjects, and through new assessment measures. Almost all technical schools and special schools were closed or merged with high schools to form comprehensive secondary colleges. This restructuring effort would take over a decade. Many of these reforms were initiated and supported by the three teachers' unions, although the closure or merging of technical schools was contentious with some 'turf warfare' between different teacher unions (Teese 2014). When coupled with the

devolution reforms described earlier, this decade of reforms took their toll on the department, which had been led by six different education ministers in the 1980s. These ministers shared a common thread of shifting more responsibilities to schools for their own affairs, but “rarely the power [schools] needed to do the job properly” (Maslen 1990).

These many education initiatives had also contributed to significant government debt. In 1992, Victoria was spending more per pupil on its system of public education than any other Australian state (despite its relatively affluent and geographically compact population) and 8.6 per cent more than the Australian average, with no discernible advantage in educational outcomes (Cullen 1992; Victorian Auditor General 1995). This high level of expenditure was despite reductions in some state education expenditure from the mid 1980s under the Labor government (Townsend 1997).

At the same time Victoria, along with other Australian states and other developed nations, was said to be experiencing a crisis in public education. The symptoms of this crisis were said to include: declining teacher morale, conditions and professional standing; low accountability from schools and governments to families; a decline in the physical condition of schools; inadequate financial resources for the growing list of school tasks; sub-par school responsiveness and student engagement; and a growing perception that public schools were inferior to private schools, fed by the former’s declining share of total enrolments (Caldwell and Hayward 1998). In Victoria, this was accompanied by a perceived lack of confidence among universities and many parents in the new Victorian Certificate of Education and a stress crisis amongst teachers (Pinkney 1992a). Over the 1980s, the number of Victorians students completing Year 12 had doubled, increasing resource pressures at school and systemic levels (Kirner 1990). These dual pressures have been described as quantitative (schools over-funded, over-staffed and inefficient) and qualitative (low outcomes and limited independent measures of student progress or school performance) (Townsend 1997). There was also a perception that the Labor government was in atrophy after all its reforms (Costar 1999: ix) and was beholden to the unions, especially in education, in part due to the presence of many former teacher union officials in senior ministerial office and departmental positions (Keating 2009; Marshall 2009; Slattery 1990b; Slattery 1992a).

Public and academic discussion of this crisis in public education was accompanied by the spread of alternative funding and management philosophies for schools - most notably devolution to the regional and school level - which supporters claimed responded to multiple elements of the crisis, particularly the ability of schools to respond more flexibly to student needs and hence improve

educational outcomes (Caldwell 1993; 1998). These debates had a formative effect on Don Hayward, the key architect and champion of the Schools of the Future reforms.

The development of the reforms

The Schools of the Future reform package was designed while the Liberal Party was in opposition and adopted as policy by shadow cabinet and joint meeting of the Coalition parties on 12 April 1991, a full 18 months before the Victorian state election. In both contemporary and retrospective accounts of the SOTF reforms, two distinct drivers emerge: the need to reduce education expenditure in the face of government debt; and a desire to raise the quality of schooling by devolving power from the education department to school principals (Marshall 2009; Hayward 2010; Keating 2010). These twin objectives flowed from the 'crisis of public education' and were underpinned by a greater shift towards devolution and competition in schooling around the world, and other Victorian government portfolios at the same time.

Key policy actors

The central policy actors in the early development stage were Don Hayward, the shadow education minister and later the education minister, John Roskam, a Melbourne University student and Liberal Club member employed as his researcher and later Hayward's senior adviser, and Brian Caldwell, a professor of education specialising in school-based management, who acted as an academic adviser and policy consultant. Of these three, Hayward was the pre-eminent force.

Don Hayward: the minister and 'policy entrepreneur'

Interviews conducted for this thesis identified Don Hayward's personal and professional background as essential to understanding the values and objectives shaping the SOTF reforms. Hayward's attitudes to schooling and the role of government had been profoundly shaped by his upbringing, his employment as a political staffer while completing his university studies, and his years as an executive at General Motors. Indeed, in his book recounting the Schools of the Future reforms, the bulk of the chapter on the foundation of the reforms is spent narrating his life story and how it influenced his educational philosophy and reform agenda, with only three pages devoted to his activity as shadow education minister. These few pages on his time in opposition emphasise his role and intellectual contribution to the policy philosophy, objectives, name and implementation

path. Here is an edited extract of his account published in his 1998 book, an account which is consistent with his accounts from 1992 and in 2010. Note the use of the first person.

I was convinced that if we wanted to focus on the individual child's needs and bring out that child's full creativity, the emphasis had to be on the individual school, rather than on a centrally controlled "system".

My research had convinced me that "the system" had failed to help those it was supposed to help, the socially disadvantaged.

If one wished to dismantle "the system" and give families and students the ability to access the education services that best met their individual needs, one had to enable schools in the government system [public schools] to become autonomous, independent providers which could offer their services to families and students ...

I realized that I must try to focus attention on the future, therefore, I came up with the name Schools of the Future for my reform program.

I then began an intense series of discussions with academics, school principals, teachers, parents, business people and others to canvass as wide a range of views as possible.

All my experience told me that the most effective way to achieve change is to have someone at the forefront of change acting as exemplars to the rest. Further, I had the view that the Schools of the Future program would only work if schools wanted to be a part of it. In other words, a school's involvement would be voluntary, and the school would have to apply to become a School of the Future.

I then began to develop my strategic objectives and plans to implement them... (Hayward 1998a: 33-34)

Hayward's account is broadly consistent with the accounts given by other influential policy actors and external policy experts and commentators (e.g. Caldwell 1998: iix), who all, without prompting, repeatedly emphasised Hayward's preeminent role in shaping and driving the reforms' development and implementation. Importantly, policy actors were very clear in acknowledging the support he received from personal staff and departmental staff, especially Geoff Spring and John Roskam, particularly on negotiations and implementation. These other policy actors also drew attention to the work of taskforces devoted to specific reform elements, the previous work of Ian Cathie, and the work of Brian Caldwell and Jim Spinks.

Hayward strongly believed that the Labor government's education policies were ideologically-driven and that they sought to use the school education system for social engineering purposes (Hayward 1990; Hayward 1998a). He concluded that this approach and the resulting 'system' had resolutely failed and was perpetuating social disadvantage. The substantial increases in funding for public schools were in his analysis being ill spent on the priorities of the teacher unions and bureaucracy rather than the priorities of the schools and their students. The quality of education in Victoria's public schools, he reasoned, could be best improved by their becoming more like the state's private schools - then attended by over 30 per cent of all Victorian students - which meant providing public schools with greater operating autonomy and by applying business principles such as competition which would make them more responsive to the needs of their students (Hayward 1998a: 34). Hayward would later state that his eventual aim was the establishment of a voucher system, whereby government support would be provided to parents in the form of 'education credits' which could be redeemed at the approved education provider - public or private - that best met their child's needs (Hayward 1998a: 33).

Brian Caldwell: the academic

Professor Brian Caldwell can be considered another architect of the reforms and their second greatest influence. Caldwell had been researching the principles and practices of devolution and effective, self-managing schools for decades. His PhD had examined some of the first autonomous public schools in the world; in the Edmonton school district of the Canadian province of Alberta in the late 1970s. Since then he had acted as an academic consultant to various Australian governments on school management and devolution issues, including working with the Tasmanian government and the Roseberry District High School in the 1980s developing tools for schools to develop a self-management capacity, including spending of their own budgets, and linking this self-management to effective teaching and learning.²⁹ Together with Jim Spinks, the principal of Roseberry, he wrote books and reports on the concept and practice of self-managing schools to assist governments seeking to decentralize or devolve authority, responsibility and accountability to public schools.

²⁹ This model would later serve as the inspiration for the 'Collaborative Self Management in Schools' project for implementation on a national scale, in a research project funded by the Commonwealth Schools Commission as a 'Project of National Significance' (1986: ix).

Brian Caldwell's two most recent books were avidly read by Don Hayward after his appointment as shadow minister. Caldwell (2010) recalls:

When I showed up to meet with Don Hayward [in early 1992], I'd kind of known that this was a direction that the Liberals were intending to go in. But when I got there, I had found that he had read the entire book [just published, that Caldwell had delivered three days prior] over the weekend. It was fully marked up and he... had a very clear idea of what he wanted, and he just asked me a series of questions. ... A month after the Kennett government was elected, I was asked to joining a small working group to plan a pilot group to get all authority and responsibility to schools.

Over the next six years, Caldwell would assist in four aspects of the Schools of the Future reforms. First was as a member of the five-person design task force,³⁰ followed by a consultant role in a program of professional development of principals. He was later appointed as Chair of the Education Committee of the School Global Budget Research Project, which made recommendations to Hayward and his successor on funding allocations to schools and within schools. Later again, Caldwell was a member of the research team that monitored the implementation and outcomes of the reforms, the Cooperative Research Project led by Faye Thomson, which was a joint endeavor of the Department of Education, the University of Melbourne, the Victorian Association of State Secondary Principals, and Victorian Primary Principals Association.³¹ He also suggested a firm to undertake surveys of parents, teachers and students, a firm that he had engaged while working for the Edmonton school district in Canada. The professional relationship between Hayward the politician and Caldwell the academic continued after Hayward's retirement from politics, with the two men co-authoring a book on the Victorian reforms in their international context, *The Future of Schools: Lessons from the Reform of Public Education*, which was published in 1998.

John Roskam from research assistant to 'pivotal partner' to 'fourth son'

Another central policy actor in both the development and implementation elements of these reforms was John Roskam. He would enter Hayward's employment in 1991 as a research assistant and would later become his Senior Adviser in government. His involvement was such that Hayward at times described their work as a "partnership that was pivotal to the reform of education in

³⁰ The other members were Lance Vertigan (Chair), Marco Francis, Val Brennan and Gary Rogers.

³¹ Caldwell noted that he "wasn't a high-powered consultant or anything like that. They paid the university, not me, a modest sum for our time". (Caldwell 2010).

Australia" (Hayward 1998a: 32). His chief of staff, Robert Clancy, did not receive the same attention at that time or subsequently. When Hayward first met Roskam, Roskam was a law and commerce student at the University of Melbourne and deeply involved with the Liberal Party. Hayward saw "a remarkable parallel" between Roskam and himself as a young student and political staffer, and later came to regard him as a "fourth son" (Hayward 1998a: 32). He considered him very intelligent, articulate and persuasive, with highly-honed political instincts and a good understanding of how to present issues publicly (Hayward 2010).

Geoff Spring: The Territory "Crocodile" that became the Victorian reform director

Geoff Spring was recruited in 1992 by Hayward from the Northern Territory's department of education to head Victoria's new Directorate of School Education and would become instrumental in the negotiation and implementation of the SOTF reforms. His appointment owed much to the formal and informal institutions of Australian federalism, which will be discussed in the next chapter. The protracted discussions to bring him to Melbourne for this position would cause Hayward more anxiety and distress than anything in his term as minister (Hayward 1998a: 36).

Spring would draw upon his earlier teaching career to demonstrate empathy and seek support from Victoria's teachers as an industrial relations tactic. For example, on the eve of teacher strikes, he drafted a personal and urgent memorandum to all teachers and principals in the state, which concluded:

My background is not too different to yours. I was a primary teacher and a secondary teacher. All my professional career has been in public education. We are in a difficult time, when we should show understanding and restraint, and continue to behave as committed professionals and not be involved in the threatened 'guerrilla warfare'. (Spring 1992: 4)

Spring was capable, shrewd and hard-working. He would frequently work deep into the night, all week, to meet sudden and tight deadlines to exploit time-limited opportunities which would facilitate the passage of reforms (Roskam 2010).

The policy making process

Hayward commenced the reform development process immediately after his appointment as shadow education minister in 1990. He used as his initial policy template the schooling policy the Liberal Party had taken to the previous state election, a policy which was very similar to the model

proposed by Cathie and rejected by the Labor cabinet in 1986. Over the next eight months, in consultation with school principals and others, this policy was significantly extended and the most contentious elements of the new SOTF package were added. These elements included new powers for principals of Victoria's public schools to select, monitor and reward their teaching staff, and to recommend school budgets for approval. School councils' roles were also enhanced to play a major role in the selection of the school principal and writing, implementing and evaluating a school's charter. This charter would serve as a school's contract with its students (and their families) and with the government, reflecting the values and priorities of the school community (within government policy parameters), as well as the school's educational goals and strategies for achieving them. Funding would be provided directly to schools who would now be responsible for spending their own allocations in line. Finally and importantly, there was to be a substantial reduction in the role, functions and size of the Ministry of Education. The connection between schools and their communities would be strengthened while that with department was reduced.

With the broad model - publicly funded, self-managing schools - and central objectives in place, the policy was announced by Opposition leader Alan Brown, a full 18 months before the election. Launching the policy, Brown spoke of an "historic shift in which Liberals will dismantle Labor's centralised education machine and return schools to the community, to whom they are accountable". He described the devolution of decision-making to schools as the "democratisation of education", and reiterated the belief that decisions are best made by those closest to each individual school - the principal, school council, and parents (Brown 1991: 3-4).

Final details of the policy and implementation strategies were developed in consultation with academics, principals, parents, teachers and the business community over the remaining 18 months before the election, and continued in the first few years in office. Two things are important to note here. The first is that the reform framework and objectives were developed external to the public service (notwithstanding the work previously undertaken by the department while Cathie was education minister) prior to winning government. This was because Hayward preferred to work with those he was confident fully-shared his vision of reform: those in his ministerial office, Spring, Caldwell and the group of school principals. However, a significant amount of policy analysis was also undertaken by the department, such as the Cullen Report on School Funding (1992). This was complemented by state-wide consultations with teachers and parents, and public forums, both of

which contributed to the refinement of the reforms and the implementation process, as I will now show.

Consultations

Don Hayward took a highly selective approach to consultation. Before the election, Hayward made efforts to cast himself in the public eye as sympathetic to unions. For example in an interview with a reporter from *The Age*, he stated “I have had a lot of experience dealing with unions in industry and I have always got on very well with unions. On my mother’s side, my family had a very strong union background. There’s nothing confrontational in my makeup as far as unions are concerned” (Bruce 1992). He also reportedly met with unions and outlined his plan to them, receiving muted support. This all changed after the election. Hayward would repeatedly describe the teaching unions as an obstruction to schooling reform, going so far as to refer to them as tyrannical organisations that limited the achievements of public education, principals and teachers (Caldwell and Hayward 1998: ix). He decided soon after the election that it was not worth his time to consult with them, as they “would never agree with or support his reform agenda” (Hayward 2010). Consequently, teachers’ unions were not formally consulted during his time as minister. There were, however, informal meetings between himself, his key advisers and union leaders during his time as minister (Hayward 2010). There was also open and on-going communication between unions and the human resources division of the education department.

Similarly, formal bi-lateral consultations were never held between Hayward and the Commonwealth minister for education, the minister for schooling, or their representatives on his significant reforms to school funding, management and accountability. Federalism was seen as an abstraction, and there was a strong anti-Commonwealth attitude in his office at that time. The Victorian minister’s office thought that schooling was, and should remain, a state responsibility, and that the state had the right to legislate and spend as it thought best for its constituents (Marshall 2009; Roskam 2009). I return to this important point in greater depth the next chapter on the federal context of these reforms.

By contrast, regular meetings were held between Hayward and a group of secondary school principals who had initiated contact with him shortly after his appointment to the education portfolio. At their meeting on 16 June 1992 Hayward with them discussed three aspects of devolution of authority to schools: 1) devolving responsibility and resources from the bureaucracy

to schools; 2) endowing schools with more direct responsibility in relation to their clients; and 3) allowing schools the freedom to develop structures and work practices that best suited their particular needs. The economic rationale was also enunciated in these early meetings, with the notes from the meeting recording that “it is advanced that there are significant savings possible from the devolution of authority from central and regional bureaucracies to schools.” The issue of Commonwealth funding was brought up by the Principals’ Group, who suggested that schools be allowed to contract teaching staff using funding from Commonwealth grants (Roskam archives).

Hayward emphasized to the principals that the aim of devolution was not in question. Instead, he was seeking their advice on the finer details (especially budget aspects), on implementation strategies, and on communication with other principals and teachers. This advice was, for the most part, taken on board. One recommendation embraced by Hayward was to introduce devolution simultaneously to the whole public school system in a single term of government, rather than phasing the reforms in over multiple terms of government following a pilot stage. Hayward also followed the principals’ advice on distinguishing between devolving responsibilities to school councils (by legislation or regulation) and delegation to principals by the department, and on other policy instruments. Consultation with teachers, other school principals, and parents was pursued through public forums (officiated by Hayward, or by a Coalition backbencher if he couldn’t attend), teleconferences, printed newsletters (*Victorian School News*), letters, and through the media (Roskam archives).

Official government messages on the reforms were tightly crafted and drew upon professional advice from external communications firms, and communication channels were tightly controlled from the minister’s office. These carefully crafted messages were fed to favoured journalists, media organisations and others in the Kennett government to ensure internal consistency.³² Rather than using unions and parents’ associations as a conduit to teachers and families, Hayward and his staff would communicate directly to school communities via the channels above. This was an explicit attempt to avoid any blurring, weakening or twisting of their messages by outsiders.

³² Hayward, Roskam or another staffer would listen to the Premier Jeff Kennett’s weekly interview on talkback radio and, if ever a question relating to education policy came up, they would immediately feed an answer to Kennett’s staffer who would hover in the radio booth (Roskam 2010).

On sensitive issues such as school closures and mergers under the Quality Provision Framework, hundreds of local taskforces were established to determine best arrangements for local needs. Hayward's office also drew upon the work of the Labor government which had identified hundreds of schools as nonviable but had chosen not to actively pursued closures in the lead up to the election.

Cabinet

Hayward was given substantial autonomy by the Premier Jeff Kennett over his portfolio. There was minimal discussion in cabinet and no direction imposed by Kennett or cabinet at any time of policy development or implementation. Schools of the Future was nevertheless readily accepted as Coalition policy because it was a richer and extended version of their previous policy and was highly consistent with the centre-right government's strategic assumptions and broader reform agenda (Hayward 1998b; Hayward 2009). The Kennett government's agenda was based on five principles: a preference for market mechanisms in the provision of public services; a focus on clear accountability for results for public agencies; the empowering of consumers of public services; the minimisation of government bureaucracy for consumers; and a professional and business-like management of public agencies (Economou 2006: 370; Pascoe and Pascoe 1998: ix). These could be summarised as a desire to reduce expenditure and to reduce the size and power of government, with market principles and empowered "consumers" as both policy ends and means. This was accommodated within a broader shift towards devolution and new public management, which had been gaining traction among policy makers at state, federal and international levels over the previous two decades.

Education was repeatedly identified by Kennett as a priority for his government because it was such a clear and tangible representation of their agenda to the electorate, in a policy area that was a top priority for most households, which had been dominated by policy and funding controversies in the years leading up to the election.

Another explanation of the premier's steadfast support and his lack of intervention or control in the reform process was his close contact and collaboration with Hayward on education while the party was still in opposition. After he was deposed as leader of the opposition in 1990, Kennett became (at his request) the convenor of the Liberal education bill committee. Usually these conveners limit themselves to making recommendations on whether the parliamentary party should support, reject

or amend proposed bills. But Kennett “wanted to play a part in the policy development process as well”. He and Hayward, who had been appointed shadow minister of education when Kennett was replaced as leader, would have “long talks about [their] objectives for education in Victoria” and agreed on the nature and importance of these education reforms. In Hayward’s words:

We both believed that the most important responsibility of our generation was to give the next generation a high quality education. It soon became apparent that we would not be content with just running the education system. We were determined to make fundamental reforms to the system so as to give each child the best chance for the future. In fact, we both believed our most vital task in government was to make those reforms. We saw as an important part of those reforms increased accountability of schools for student learning and also the introduction of objective, statewide assessment. (Hayward 1998a: 20)

The implementation process

Implementation began immediately after the Victorian state election and occurred alongside further policy development and refinement, in an iterative, consultative and evolutionary process of managed change. While there was no blueprint for sequencing the reform elements (a point independently emphasised by Don Hayward, Graeme Marshall, John Roskam and Brian Caldwell in interviews), they were very carefully planned in advance, skillfully executed and tightly-managed to maximise support and success and to avoid or minimise disruption and obstruction. This included the tight control of communication channels and messages; engaging principals as change agents including with financial inducements (Messina 1997b); inducing teacher support with pay raises and alternative career structures (Richards 1995a); ensuring that stakeholders had ownership of the reforms (or *felt* they had ownership); and direct appeals to parents and the public as reform tactics (Roskam archives; Hayward 2010; Marshall 2009; Pascoe and Pascoe 1998). Years of preparation during their time in opposition had allowed them to mature the policy, pre-empt obstacles and consider any legislative, industrial relations and structural changes that were required, which meant that the minister and team could hit the ground running.

In the week following the Coalition’s election victory on 3 October, Hayward created a high-level task force - the Schools of the Future Task Force - to develop finer policy details and advise on implementation and system restructure strategies. That same week, on October 8, Hayward sent a letter to all public schools in Victoria outlining his reform program. The contents of that letter became the front page of the *Herald Sun* (Victoria’s highest-selling newspaper at that time) under

the headline 'Schools face a revolution' (Pinkney 1992b). In this letter, Hayward's immediate priorities were listed as providing further relief for students and teachers from the VCE's heavy workload; freezing funds for urgent school maintenance and capital works programs, with a task force established by the end of the month to identify the schools most in need; and determining how many schools will take part in Schools of the Future scheme. The letter explained that SOTF would allow public schools to select their teachers, control their own budgets and hire business managers and administrative staff. Schools would also be required to develop a school charter detailing the schools' educational direction, discipline code, subject specialisations, and a number of other matters. Schools staying out of the SOTF scheme for the time being would continue to receive centrally-selected staff and be unable to allocate government funding for specific purposes of their own choosing. Finally, in this letter Hayward told schools that under the SOTF scheme, schools could instigate merit-based pay raises for staff, expel students and recommend the removal of individual teachers. By the end of the first week after the election, several government schools had already formally registered their interest in joining the first "pilot" intake into the new program, one of which had also provided a detailed submission on how it planned to become a specialist sports school (Pinkney 1992b). This eager volunteering built momentum and support for the reforms, which despite being a large extension of previous Labor reforms were still controversial and opposed by the three main teacher unions.

In January 1993, a preliminary paper outlining the reforms in much greater detail was distributed to all public schools in Victoria and formally invited them to apply to participate in the pilot intake (DSE 1993a). Over half of Victoria's 1720 schools volunteered to join the first SOTF intake. This was far more than was expected and further built momentum for the reforms. Of these 830 schools, 322 schools encompassing a variety of demographic, geographic and socio-economic situations were selected in April 1993 as pilot schools to be in the first intake, which began later that year. A further 278 schools were selected as associate schools, who would be involved in some of the training received as pilot schools, but would not move to the new SOTF program until 1994 (DSE 'Schools of the Future Announced' 1993b: 3).

These pilot schools were involved in the translation of the preliminary paper into comprehensive and detailed government policy. A number of funding and management models were trialed and evaluated, which directly informed future policy details. The results were communicated to schools via regular forums and seminars, on which feedback was sought and very often, used to modify

policy and procedural details. Three intakes followed at six-month intervals, each comprising of between 380 and 510 schools, with the fourth intake becoming operational in July 1995. Each intake went through a six-month induction phase, with the government providing training, documentation and personnel support in their transition to become self-managing within the new standards and accountability framework. By 1997, all but one Victorian public school had shifted to the SOTF model of self-management within the new frameworks.

This strategy of multiple intakes had several benefits. It created a more manageable workload for the department and allowed the government to make adjustments and improvements to their allocation formula, the sample 'guidance' budgets provided to schools, the accountability framework, and the training and support services for each successive intake, based on unforeseen implementation difficulties faced by previous intakes. Consequently, only six per cent of schools went into overdraft due to inadequate cash-flow budgeting, despite 10 per cent of schools possessing no school council member with business or finance expertise (Victorian Auditor General 1997). Requiring schools to volunteer to become self-managing weakened claims that the reforms were forced upon schools against their consent as a cost-cutting measure. Only one school refused to participate. This near-universal implementation rate was a major vindication for the government and weakened the potency of the unions' public campaign against the devolution reforms.

All the manuals and handbooks for schools to implement SOTF were developed by small project teams and then put to large collegiate groups involving all principals and school council members from across Victoria. In Hayward's account, this process achieved "ownership of the policy and processes by principals and school council members and practical and workable documentation" (Hayward 1995: 5). It is important to note that this shared ownership of the reforms, and shared vision was unidirectional. It consisted of the schooling communities adopting Hayward's vision, rather than the reverse, a vision that had largely been cemented in place prior to his party winning the 1992 state election. The central framework and objectives of the Schools of the Future reform package was never negotiable. But he did actively seek and respond favourably to advice on implementation and policy details.

Hayward spoke to every principal and school council chairperson three times over the course of 1993 during the development and early implementation of the first versions of the SOTF framework to the pilot schools. This was done with the aim of all key leaders hearing his vision directly and undiluted, and providing them with the opportunity to respond and contribute

(Hayward 1995: 5). The Curriculum and Standards Framework (CSF), which complemented the SOTF framework, was similarly the product of extensive consultation. The draft was examined by 5000 teachers across the state in 1994 before its implementation in February 1995 (Pascoe and Pascoe 1998: 25). The Learning Assessment Project (LAP) was introduced in May 1995 following extensive trialing and development by the Board of Studies and the Assessment Research Centre at the Royal Melbourne Institute of Technology, led by Professor Patrick Griffin, and Hermes Precisa Australia for electronic scanning and collating of results. The Board of Studies with Griffin's team also produced comprehensive and detailed guides for schools on implementing the LAP, including everything on administrative procedures, absences, requests to vary dates, conditions for students with special needs, preparation materials for teachers and students, and advice on reporting to parents (Board of Studies 1996a).

The details of the School Global Budget – the centrepiece of the SOTF reforms – were likewise developed and significantly refined in the years after the pilot intake. The final shape of the funding mechanisms and their implementation were based on the findings of the Caldwell Education Committee, which reported in August 1994. A copy of this report was provided to every school in the state, along with a copy of the Directorate of School Education (DSE)'s draft response to it. Principals from the pilot intake then met with Hayward in October 1994, with a video of the meeting transmitted to all other schools the following day for them to watch and respond with their own feedback. Finally, following consideration of all feedback from schools, the structure of the 1995 School Global Budget (essentially the final shape of the global budget, itself the heart of the SOTF reforms) was communicated to schools late 1994 for implementation in 1995. This was a vital milestone in the maturation of the SOTF program. From this point, \$2 billion, over 90 per cent of Victoria's total budget for school education, went directly to schools in these one-line Global Budgets for them to spend in the way they thought maximised their students' educational opportunities (DSE 1994b).

One consequence of developing policy detail concurrent to implementation was that some critical aspects of the SOTF reforms were only fully introduced, or were substantially refined, years after the pilot intake of schools. This meant that detailed, clear and practical guidance books on budget management, curriculum planning and workforce issues were only communicated to schools from late 1994 or even mid-late 1995, after most of Victoria's public schools had already commenced their transition to become self-managing. For example, *Guidelines for Developing a School Charter*

was published in January 1995, *Schools Annual Report Guidelines* was published in June 1995, the school workforce planning guide was published in 1995 and the *Guidelines for Developing the Student Code of Conduct* was published in December 1994. Updated and detailed guidelines and advice on the School Global Budget were provided to schools each year from 1994.

All the policy actors and stakeholders that were interviewed, and others analysed through archived policy and media documents, attest to the minister's very clear reform objectives and strategy. But within this firm reform plan there was opportunity for flexibility to achieve these objectives more quickly or more fully. In the words of Geoff Spring, "The plan was certainly altered by what I would call opportunism ... taking advantage of unexpected consequences or good ideas." One such opportunity was the possibility of a substantial pay raise for teachers, which could assist in garnering greater support from them for the reforms. To exploit this opportunity, which they learnt of late one week, key figures from the Directorate of School Education reportedly worked all hours, all weekend with the minister's office to get the submission to cabinet by Monday morning. This effort paid off and cabinet supported their proposal. The government ultimately won more support from teachers and their unions for the new professional standards for teachers that accompanied and bolstered the SOTF reforms (Spring, cited in Pascoe and Pascoe 1998: 25-26; Richards 1995a).

The broad strokes of Hayward's SOTF reforms had essentially been developed without the involvement of the Victorian Ministry of Education. When it came to implementation, Hayward continued to circumvent the public service wherever possible (Hayward 2010). Instead, Hayward used what he described as the "informal project team approach", which involved his identification of a set of people (mostly school principals) he could work with, talking through the issues with them, and then delegating responsibility to them, telling them that their future career was dependent upon their performance in this task (Pascoe and Pascoe 1998: 24). Of course, the Directorate of School Education still had a significant role to play in implementation. There were also whole sections of the department working on professional development issues, on finance issues, on accountability and on curriculum, including the establishment of a new curriculum authority, the Board of Studies.

The minister also engaged external consultancy firms to advise on communications and departmental restructuring. Byrne Fleming was the firm engaged for the latter, visiting the central and regional offices in consultation with a project team from the DSE and employing "an organisational value analysis", whereby representatives of interest groups were interviewed on

decisions related to their future. Their brief was to “review the structure and efficiency of the non-school sector [of the ministry of education] with a view to making it more responsive to the needs of students” and “develop final recommendations on what [support] services should be supplied, by whom, from where, and at what cost”. The outcome was the creation of an education department where “duplication is identified and eliminated, quality and focus of essential services is improved and *overall costs reduced*” (Emphasis added). In practice, this meant that “only services adding essential value to the core are retained, and those classified as ‘nice to have’ are contracted out or eliminated” (DSE 1993c: 2). This information, in these words, was relayed directly to teachers, principals and parents in the fortnightly gazette produced by the Directorate of School Education, *Victorian School Education News* (Vol 1, Issue 7). This gazette, numbering about 20 pages in most editions, contained news from the DSE and minister, updates from the many taskforces, working groups and reviews that were underway (on the Learning Assessment Project, the School Global Budget, school charters, school mergers etc.) and information on events, opportunities for schools and their students, job notices and professional development opportunities, as well as ads for products and services of potential interest to schools or parents.

Roadblocks: Budget cuts and reform opposition

Despite extensive preparation, cabinet support, strong parliamentary majority and enthusiastic uptake by schools, there were still implementation hurdles to be overcome. These hurdles, interestingly, were all state-based and did not stem from the Commonwealth or intergovernmental factors. Australia’s federal system of government provided opportunities to lessen or overcome these obstacles, namely the state budgetary crisis and teacher union opposition.

Budget woes

The large and increasing debt faced by the incoming government resulted in cabinet-imposed budget cuts of 3 per cent in all departments. Each minister was responsible for finding and administering the cuts in their own departments. Within weeks, Hayward had established 249 task forces across the state to advise on school closures, amalgamations and restructures under the banner of the Quality Provision Framework. He also ordered internal audits and spending reviews that would prove instrumental in rationalising his reforms.

One of these was the School Funding Project, a bruising review of Victorian school expenditure trends measured against expenditure trends in other states. This provided Hayward with compelling data to justify the reforms he had already developed and promised to implement. Along with school closures and amalgamations, it would also help him achieve the 3 per cent reduction in departmental expenditure ordered by cabinet. Intergovernmental comparison was an explicit and influential aspect of this review, forming the framework for the review and rationale for lower expenditure. The project's summary report, dated 18 November 1992, identified the presence of anomalies in the current (1992-93) allocations of funds between schools and students, leading to distortions that poorly-reflected the needs of schools and their students, and high amounts of departmental funding "not directly related to schools". It stated that recurrent funding for Victoria's schools had grown by 17.8 per cent in real terms in the past decade despite student enrolments falling by 4.7 per cent. This led to the situation where the average funding rate for students in Victorian schools in 1990-91 was 8.6 per cent higher than the Australian average and 14.6 per cent higher than averages of the large public school systems operating in New South Wales and Queensland. So central were these comparative figures to the analysis and recommendations that they were placed on the front page of the report, alongside current and proposed Victorian school expenditure figures. The School Funding Project recommended the on-going funding base for schools be reduced by 8.3 per cent over the record 1991-92 expenditure to "bring it in line with other school states" (Cullen 1992:1). These cuts represented an immediate cut of \$66 million and a projected reduction of \$213 million or about \$387 per student to 1994. The report argued that it was "important to see the reduction as a one-off adjustment to base funding and to evaluate the reduction in terms of trends in Victoria over the last decade and to compare it with the funding provided in other States". To this end, the report repeatedly noted that the new funding base (per weighted student enrolment) for Victorian schools would remain 5.6 per cent above the funding rates in New South Wales (NSW) and Queensland. This weighted student enrolment, as a measure of resources, was an important part of the comparative analysis. It allocated different costs to different years of schooling, as well as addressing cost pressures generated by recent increases in school retention and the expansion of educational opportunities for students with disabilities (Cullen 1992: ii-8). These intergovernmental comparisons were strategically used by the Kennett government to justify reduced expenditure to the electorate.

The Project was also tasked with developing a framework to analyse trends in Victoria's school funding base, to develop more effective, needs-based funding allocation approaches to schools, and

to apply this new framework to the revised school funding base. Its pronouncements here accorded neatly with Hayward's plan to devolve funding using global budgets to each school (of which the detail had not yet been developed) and would directly influence how these funding allocations to individual schools would be determined under SOTF. The report emphasised (using bold text) that it was possible to increase the proportion of total funding allocations linked directly to student enrolments (as opposed to central administration and services not directly related to schools, then totaling 10 per cent of funding), and provide individual schools with more flexibility to address their priorities and the educational needs of their students within a total resource package. It emphasised that imbalances of funding versus need that had developed over the past decade "cannot recur" (Cullen 1992). Instead, "a more disciplined linking of resources to enrolments" was needed, with this enrolment based funding viewed as an "entitlement of all students". This entitlement, however, needed to be supplemented with additional funding to take into account not just the number of enrolments, but also the needs of those students, including family backgrounds or any disabilities. The project also took a more nuanced approach to the higher unit costs of funding provided to small schools, arguing that not all small schools have higher costs and that the subsidies provided to small schools need to be evaluated and controlled (Cullen 1992).

The unexpected budget shortfall resulted in a reduction of envisaged support services and programs for schools and principals transitioning to school-based management. These included lower funding allocations, staff redundancies and, controversially, the immediate closure of 50 schools that had been identified as non-viable by the previous Labor government and confirmed as such by the new Coalition government's Quality Provision taskforces. These cuts increased distrust and opposition amongst the teacher unions and some segments of the population, who considered the reforms to be a "cost-cutting racket" (Gibson 1993) and an "attack on state education entitlements" (Federation of Teachers Union of Victoria, cited in Rundle 1993). While Hayward publicly argued that expenditure could be significantly cut without affecting the quality of schooling, he would later state his private opposition to the budget cuts he was forced to administer. He also publicly regretted the assumption of causation, rather than correlation, between his SOTF reforms and the budget cuts (Hayward 2010). Examination of archival documents, including notes from his meeting with the key group of school principals in June 1992, diminish this claim that it was simply correlation. The dot-point summary document provided by Hayward's office to the principals listed budget savings as its first point (resulting largely from

reduction in the size of the bureaucracy). The second item on this summary document said “schools would be called upon to do more themselves”. This weakens his argument that budget savings were not a key objective or consideration of the reforms. It is, however, possible that the budget cuts resulted in fewer support services being provided than what Hayward had originally provisioned for or desired.

The tied grants for schooling provided by the Commonwealth would mediate against these state-level, state-imposed budget cuts. While all government departments were required to cut spending, the reductions in the department of education were smaller in percentage terms than those from other Victorian government departments (DSE 1993b: 1). The policy actors interviewed attributed this to the tied Commonwealth grants for schooling. The significant conditions attached to these grants were strict enough to prevent them being spent on other areas. But they were also broad and flexible enough for the Victorian government to devolve the funding to individual schools using their ‘numbers and needs-based’ funding formula as part of each schools’ new ‘one-line Global Budget’, and accounted for using the provisions in the new accountability framework. This was because objectives of the reforms – improvements to student learning and engagement – matched those of the Commonwealth government, and the additional funding for schools serving students with additional needs corresponded with the Commonwealth Labor government’s equity priorities. The Commonwealth also had very limited capacity to investigate or challenge the degree of state government compliance with their conditional grants, which resulted in greater flexibility for states than likely officially intended. The flexibility and restrictiveness of these tied grants is examined further in the following chapter, which analyses the direct and indirect influence of federalism on these Victorian schooling reforms.

Industrial relations

Until November 1992, teacher unions had reacted with caution to the reforms proposed by the opposition and later newly-elected Coalition government. *The Age* reported in July 1992 that “Mr. Hayward had put the fear of God into the teacher unions” and that the Victoria Secondary Teachers Association (VSTA) had “established a fighting fund to prepare for industrial turmoil under a ‘hostile government’” (Bruce 1992). Press coverage in the *Sunday Herald Sun* the morning after the election reported muted support with reservations from the unions (Wilson 1992a; Wilson 1992b). By 8 October, the week after the election, the *Sunday Herald Sun* was reporting that the heads of the

Federation Teachers Union of Victoria and the VSTA refused to act or comment until they had discussed the details of the policy with the new minister. The two unions (with a combined membership of 45,000 in October 1992) said they were opposed to devolution of power to schools and principals, but welcomed other aspects of Hayward's reform agenda, such as increased funding for school maintenance (Pinkney 1992b). This was in marked contrast to the response of the main principals' organisation, which said most principals would welcome the enhancement and clarification of their powers.

A few weeks later the teacher unions were vociferous in their opposition to the revised school funding base and expected changes to the industrial agreements governing their pay and conditions; changes they stated were akin to "declaring war" on schools and education. The teacher unions were also vehemently opposed to the closure of the non-viable schools at the end of the year. Hayward described the plans to devolve greater control to schools and teachers as "almost like a challenge to the unions and teachers to rise to the occasion" (Johnson 1992). Geoff Spring had written to teachers on 18 November (the same day that the School Funding Project's summary report was released to schools across the state, and an overwhelmingly positive three-page coverage of the reforms in the *Sunday Herald Sun*) describing these industrial agreements as "old fashioned and prescriptive". Spring said he would begin discussions on a "new facilitative framework for 1993" in December (Spring 1992, 18 November).

Unions were neutered by the Kennett government's administrative decision to cease deduction of union membership fees from salaries by the government payroll office. This halved the numbers of their members, from around 90 per cent of the teaching workforce to about 45 per cent (Pascoe and Pascoe 1998). The strength of the teaching unions' campaign against these reforms was further weakened by their exclusion from the ministerial office (making them dependent on the same information received by schools and the public), by their close association with the previous education ministers from the Labor government, and by being forced to fight on several fronts at once: against the school closures under the Quality Provision Framework; the SOTF reforms; and reforms in other public sector domains, such as transport, as part of a continuing tradition in which unions from different sectors supported each others industrial campaigns. The unions were also undermined by the enthusiastic support the reforms received from school principals, school councils, many parents and the public. Quite simply, the unions did not have the resources to wage a strong, coherent and continuous campaign, and they were overcome.

The Schools of the Future reform package

The final shape the Schools of the Future reforms – encompassing resource, accountability, people and curriculum elements - was only discernible after implementation. This was because it was still being developed and revised during implementation in an iterative processes in consultation with working groups, task forces, expert consultants and through forums with school communities. I will now lay out the final reform package in greater detail.

Budget Framework

The School Global Budget (SGB) introduced by the Kennett government as part of the SOTF reforms was a new approach for funding Australian public schools. It has since been adopted and adapted by all of Australia's state and territories, and also by the Commonwealth, and serves as an robust example of state-based innovation triggering horizontal and vertical policy learning. The SGB was a formula-based funding model with a base element based on a school's student population, and equity elements (or 'top ups'/loadings) to alleviate additional learning challenges faced by their students and disadvantaged backgrounds. To this was added additional funding for rurality (depending on the school's size and location) and for priority programs. Schools received a one-line budget from the DSE covering all the previously separate resource allocations, and had control over how they spent this one-line budget, which was allocated in line with their School Charter. Previous restrictions imposed by separated funding elements were removed.

Strong, divergent opinions existed on how many dollars should be attached to the base amount and to each of the equity elements. How much extra funding should a student from a non-English speaking background receive? How should the government determine which students were at educational risk or which disabilities or degrees of disability qualified for additional funds? Should primary school students have a higher base amount to ensure they have a solid foundation for future learning? Or should secondary students receive a higher amount due to the higher costs associated with teaching specialist subjects within a broad curriculum? The discussions and work on these questions resulted in multiple funding formula trialed in the pilot intake of schools, followed by several iterations of the chosen formula in successive intakes, and a number of detailed studies at state, regional and school level.

In 1994, for example, the SGB was comprised of six components:

1. Core funding, comprising at least 80 per cent of the total budget
2. Additional funding for students with disabilities and impairments
3. Additional funding for students at educational risk (socio-economic status and cultural factors)
4. Additional funding for students from non-English speaking backgrounds
5. Additional funding for rurality (depending on school size and degree of isolation) to ensure staffing and curriculum breadth
6. Additional funding for priority programs: Science and technology; professional development; Instrumental music; Languages other than English; physical education; Arts in Australia. (DSE 1994a)

Three significant changes to the SGB were introduced from 1995 on the advice of the Caldwell Committee's 1994 report. Core funding still comprised at least 80 per cent of each school's SGB, and was based upon 1994 staffing and grants formulas, but there were three new elements. The first was additional funding for students in their first three years of primary school with the purpose of enhancing schools' ability to provide a solid foundation in literacy and numeracy for each student. The second was additional administrative support for small schools. Third, a new index was developed for measuring educational risk and allocating funding. The new index would be based on the proportion of students receiving the Educational Maintenance Allowance; the proportion speaking a language other than English at home; the proportion of indigenous Australians; and the proportion of transient students. To avoid resources being spread too thinly, schools were ranked according to their proportions of each of these types of students with additional needs, with money allocated by the department according to their ranking and thus their need relative to other schools. Additional funds for students with disabilities were provided at one of six levels depending on individual assessments of the severity of the disability or impairment. Schools were able to allocate the funds according to the learning needs of each student. Schools receiving additional 'needs-based' funding also had flexibility in how funds were spent, but were required to identify in their charters how this funding would be spent improving the outcomes of these students (DSE 1994b).

Contemporary accounts described these funding allocation formula and processes as being at the “cutting edge of work related to the notion of resources following students, and is both fair and open” (Townsend 1997: 205). However, concerns remained that despite the sophistication of the formula funding levels attached to both the core amount and equity elements were inadequate.

Accountability Framework

The new accountability framework had school level and systemic level elements. The heart of the new accountability framework consisted of the school-level elements. These were school charters of three-years duration, comprehensive reports by school councils to the DSE and school communities, and triennial independent reviews. School charters were a contract between the school, the DSE (for the expenditure of funding), and the school’s students and families (for student achievement). They were written by schools within extensive guidelines developed by the DSE, approved by the DSE and set out the school’s three-year plan for helping their students maximise their potential, including how they would allocate their funds and any additional curriculum or programs they would offer towards their goals. In this way, the charters also acted as each school’s vision for the future and the key planning and accountability document. Charters were organised around five key sections: school profile; core purpose statements (goals and guiding principles); planning for improvement (priorities, curriculum offered and how delivered, budget, accountability); codes of practice (school council, principal class, staff, community); and fifth, a code of conduct for students. Each goal was accompanied by indicators to help schools track their progress against their own goals and against the statewide priorities (DSE 1995: 1).

Because public schools operated within the parameters of government policies, they were responsible for the implementation of all government policies and priorities for school education, and the charter operated as a conduit for these DSE policies and priorities. Accountability for state policy implementation (and to a degree, Commonwealth policies that were pursued through tied grants providing general recurrent funding for schools) shifted from the central offices to schools.

School councils reported their progress against their school’s goals and priorities and against statewide goals priorities and performance measures to the Directorate of School Education and to their school community through comprehensive annual reports, which again, were prepared in accordance with comprehensive, detailed guidelines issued by the DSE. These reports also established a record of school performance over a three-year record as the basis for a triennial

review by the Office of Schools Review (OSR). Taken collectively, the annual reports of all schools in the state were also used by the OSR and the Australian Council of Educational Research (ACER) to establish benchmarks of school performance (taking into account differences in school population sizes and characteristics), assisting schools in evaluating their achievements against those of similar schools. It also refined the advice given to schools on the development of their charters and annual report, in a clear and detailed 46 page guidance booklet (DSE 1995; 1995c June: 3-5).

At the systemic level, the SOTF reforms saw the introduction of a new, external, statewide assessment of student learning through the Learning Assessment Program (LAP) managed and developed by the DSE's Board of Studies, and of schools through the OSR.³³ This strict auditing of the standard of education services being provided by schools was considered an essential element of the new reforms by their creator (Hayward 1998b: 33). Introduced in 1995, the LAP assessed student knowledge and skills in years three and five of primary school, allowing schools and parents to compare students' performance over time and against students in public, Catholic and Independent schools across Victoria. Teachers were encouraged to use LAP results alongside class tests in developing individual lesson plans. Schools were encouraged to use the LAP results alongside other information in reviewing and developing their curriculum, designing or contracting programs for improving learning, in budget allocation decisions, and in the review of their charters (Board of Studies 1996a: 5). For parents, the LAP provided a more detailed picture of their child's learning. At the secondary level, all students in Year 12 were required to sit a General Achievement Test. This served as a check on the distribution of student grades for assessments from the Victorian Certificate of Education. The Board of Studies was also responsible for course development, and accreditation, course evaluation and assessment of student performance, including school completion and certification.

Curriculum Framework

Prior to the SOTF reforms, there had been no common curriculum or curriculum framework for Victorian school students from the first year of primary school to Year 10. State curriculums had

³³ In addition to reviewing school performance against their charters and state-wide priorities and performance measures, the OSR also supported individual schools seeking to improve their teaching and learning. It was also responsible for the coordination and management of accountability processes, especially in relation to school charters.

only existed for the two final years of secondary school (or prior to that, high school), with schools developing their own curriculums for other years, which largely served to prepare students for their final years of school, which in turn focused on preparing students for their final examinations.³⁴ Hayward was convinced the state needed a proper curriculum and standards framework, externally assessed, but which still allowed for school-level flexibility and specialisations. The new Curriculum Standards Framework (CSF) developed by the new Board of Studies provided schools with a single document that provided a common language all schools can use when they plan programs, assess learning achievement, and report on this achievement (Board of Studies 1996b). The CSF consisted of eight key learning areas (the Arts, English, Health and Physical Education, Languages other than English, Mathematics, Science, Studies of Society and Environment, and Technology). Each learning area was composed of smaller parts called strands (or modes in English) which wove through each learning area like a thread. Each thread, in turn, had learning outcomes. This new curriculum and standards framework made it easier to track students' progress if they moved schools, and identify their strengths and weaknesses in different learning areas. Importantly, the CSF did not set out one program that all schools were required to follow, nor did it stipulate how schools must report to parents. Schools retained flexibility in course design, textbooks and reporting. They could also supplement these eight key learning areas with additional learning areas and subjects such as additional music or drama subjects, in line with its philosophies and priorities.

It is important to emphasise just how dramatic these changes to accountability and curriculum frameworks were. Prior to the SOTF reforms, formal accountability mechanisms had been limited in scope and depth and there was a culture of resistance to external monitoring. School inspectors and prescribed curriculum and syllabi for the first 10 years of schooling had been phased out in the early 1970s under the Hamer government. External assessment had only existed in the final years of schooling and served as a tool for universities to rank and select students who had successfully matriculated.

³⁴ It had not yet been implemented, but the Victorian Ministry of Education had been developing a statewide curriculum framework, and working with other states on national curriculum statements for a number of subject areas in the few years before 1992.

The Quality Provision Framework

The Schools of the Future reforms were accompanied by the Quality Provision Framework (QPF), which was essentially a rationalisation of the number of Victorian schools. While primarily a response to the budget deficit, the QPF also sought to consolidate school stock to ensure those schools remaining could offer a comprehensive curriculum (DSE 1993c). The QPF provoked far greater opposition than the SOTF reforms, in part due to the tactics employed - 50 schools were closed immediately after the election without community consultation, having been previously identified as unsustainable by the previous Labor government. Indeed, school reorganisation was “at the top” of Joan Kirner’s list of priorities as education minister in January 1990 and part of the ministry’s “long term agenda” with a major report on the need for such mergers released by the Ministry of Education the previous year, which stipulated that schools unable to provide a “comprehensive curriculum” within their district would be expected to close, to merge or “cooperate extensively” with other schools. Yet, despite the establishment of a dedicated school-reorganisation unit within the Ministry of Education, these plans were put on hold for “financial and practical considerations” and expected to be pursued at a later date (Slattery 1990). These closure and merger plans were still delayed two years later in April 1992, in large part due to demarcation disputes between the two major teaching unions, the Federated Teachers Union, which mostly represented teachers in primary and technical schools, and the Victorian Secondary Teachers Association, representing what were the former (separate, academic) high schools that existed before the transition to comprehensive secondary colleges and the phasing out of technical schools (Slattery 1992). The Labor government’s enthusiasm for pursuing school closures and battles with unions waned as the October election drew nearer.

The Kennett government, however, plunged straight in impelled in part by a desire to rapidly reduce the budget deficit and also by the discovery of funding gaps in schooling. The unrest and opposition generation by the QPF spilled over into some antipathy towards SOTF, but it also deflected attention away from the devolution reforms.

Further refinement

By 1995, the SOTF reforms had been introduced to all but one public school in Victoria. In their report identifying priorities for 1996, the Directorate of School Education listed Schools of the Future as the ninth of ten priorities (DSE 1995d). It did, however, report that on-going attention,

development or support was needed for most key elements of the reforms. This included: further refinement of the School Global Budgets, including better provision for rural and remote schools; enhancement and further development of appropriate management information systems; enhancement of communication and linkages to support schools and school councils through clarification of responsibilities and accountabilities; and assisting the implementation of full staffing flexibility.

Results

Effects on departmental structure and size

The SOTF profoundly changed the structure and size of Victoria's education bureaucracy. The Directorate of School Funding went from controlling over 90 per cent of the expenditure to just seven per cent. There was a 12 per cent reduction in Victorian government expenditure per student, bringing it broadly in line with average public school expenditure of Australian states. Expenditure reduction was due primarily to the consolidation of the head office and regional offices, the latter of which were largely gutted; cuts in overhead expenses; and the contracting out of school cleaning and other services. Between July 1992 and June 1994 alone, the department's staff was cut by 11,000, of which almost 20 per cent of the total were teachers, (although this figure included many staff who had been on family leave for up to six years and staff who took voluntary departure packages). Central staffing was reduced by nearly 80 per cent (Roskam archives, Caldwell and Hayward 1998; Victorian Department of Education 1995; Hayward 1995).

Despite their radical nature, the reforms were accommodated within the existing legislative framework. Only one minor change was required to the 1958 Victorian *Education Act* - to minimize industrial relations disputes - which passed without difficulty due to the Coalition's large majorities in both houses of the Victorian parliament.

Effects on principals and teachers

Research from Cooperative Research Project (1993 - 1997) on the purposes, processes and outcomes of the SOTF programs, provides insightful information on the effect and reception of these reforms on school principals, teachers and parents. In all the annual surveys that formed part of this study, principals reported much higher workloads than had been the case prior to SOTF,

concerns about resources and human resources, and wavering confidence that program objectives would be attained. Nevertheless, despite these continuing concerns, a strong majority of principals were reluctant to return to the old system, believing on the whole they could provide superior educational opportunities for their students under the new system of self-management (CRP 1995; CRP 1997, Messina 1997a). These findings were mirrored by an independent study undertaken by *The Age* in 1999, which found that while 97 per cent of principals reported higher workloads; 51 per cent thought school education in Victoria had improved, and only 24 per cent thought the standard of education had deteriorated. Fifty-seven per cent of principals also reported the physical condition of their school was better in 1999 than in 1992, despite 66 per cent saying their maintenance budget was inadequate. While 93 per cent of schools now charged voluntary fees, almost 50 per cent had not raised those fees since 1992 (Hughes and Jones 1999). Student educational performance as measured by the LAP and the VCE were steadily increasing (Board of Studies 1998). Parents and school councils similarly felt that overall the SOTF reforms had improved the quality of educational provision in Victoria's public schools (Richards 1995b). Teachers, however, disagreed, with only 31 per cent of survey respondents in 1995 agreeing SOTF would provide students with a broader education, only 20 per cent believing it would lead to an overall increase in the quality of education and only 24 per cent believing it would promote achievement for students from disadvantaged backgrounds (CRP 1995).

To a large extent, the SOTF reversed the previous roles of schools and the administrative centre. The Victorian government outsourced the trickier responsibilities of budgeting and staffing to schools, while taking a greater role for government in curriculum and assessment via the new Board of Studies and its statewide curriculum and external assessment programs.

Student outcomes and market effects

Within a decade, Victoria had the highest average student performance, highest school retention rates and lowest per pupil expenditure of all states (Productivity Commission 2005) and it has largely retained these positions to this day. The latest nationally-comparable figures from the Productivity Commission indicate that Victorian public schools are funded \$1836 less than the national average (Productivity Commission 2015; COAG Reform Council 2012); yet Victorian students perform equal to or better than those in other states for all subject areas and year levels tested in the 2008 and 2015 National Assessment Program (ACARA 2015).

Attempts to raise overall quality across all Victorian schools saw an increase in inequalities within the system, as public schools increasingly competed with each other for students following the removal of strict enrolment zones. As early as 1994, scholars such as Marginson argued that under the SOTF policy framework, some schools (especially those with the most capable leadership and more advantaged school populations) moved in upward trend, while those with less marketability, less students, less capable leadership or more educational challenges among its student population were increasingly left behind to a degree not adequately compensated for by budget loadings for disadvantage (Marginson 1994: 22). This has been borne out by the evidence in the subsequent two decades, which indicates an improvement in educational outcomes across the system, particularly relative to other states, and greater stratification within the public school system, with some of the schools serving most educationally disadvantaged or deprived students increasingly deserted by local students in favour of 'better' schools further away, in what has been described as the Cycle of Residualisation (Need to Succeed 2015; Nous 2011).³⁵ The benefits of self-management were also found to be much more difficult to realize for public schools in rural areas due to their resource, geographic and demographic circumstances (A. Berg 2015: 28)

³⁵ More than two decades after implementation of SOTF began, increasing school autonomy remains a "big idea" influencing education policy in Australia and internationally, where it is still claimed to enhance innovation, flexibility and consequently student performance (Dinham 2015: 3). Yet evidence on the effects of such autonomy on student learning and other critical outcomes remains patchy and contested. A meta-analysis of 70 studies on the impact of school-based management published in 1996 found little evidence that it is effective in increasing student performance. Furthermore, this meta-analysis found there were very few quantitative studies on the subject and that the existing studies were not statistically rigorous, with weak or non-existent positive results (Summers and Johnson 1996: 80). In 2011, the OECD concluded that in countries where schools have greater freedom over resource allocation, curriculum and assessment accompanied with various forms of accountability (such as publication of achievement data), students tended to perform better than those with less autonomy. Such appears to be the case in Victoria, whose performance in student literacy and mathematics tests improved from average to equal highest following the implementation of the reforms (despite other factors such as socio-economic composition of the state's students remaining constant). However, in countries where there are no such accountability arrangements, schools with greater autonomy in resource allocation tend to perform worse (OECD 2011). The OECD (2012) also warned that competitive school markets (often deliberately or unintentionally accompanying school autonomy or devolution reforms) can lead to greater segregation of students and have severe equity effects on education outcomes, noting further that the highest performing education systems across OECD countries combine quality with equity.

The SOTF reforms were maintained by Hayward's Liberal Party colleague and successor as education minister Phil Gude. When the Bracks Labor government won office in 1999, the new education minister Mary Delahunty commissioned a review into SOTF to determine whether to keep, extend or roll back the Liberals' reforms. This review was chaired by Lindsay Connors who had worked for the Commonwealth Schools Commission and was known as a strong advocate for public schools and greater equity in schooling. Connors consulted widely and, in a move that surprised many, recommended that SOTF be maintained, that funding be decentralised further, and that the new systemic and school accountability mechanisms become more sophisticated and entrenched (Ministerial Working Party 2000).

Autonomy for Victorian schools was further extended by Coalition governments in the 2010s, before being partially wound back by the Labor government from 2015, following feedback from schools and principals that they needed more administrative support from the department to perform their roles. Autonomy was to be preserved – it was now an established part of school operations and education culture in Victoria – but the new Labor education minister James Merlino promised schools that they would no longer be “on their own” when dealing with complex or time-consuming administrative matters, including those related to human resources. Merlino also announced that the regional centres gutted by the original SOTF reforms would be built up again, and 150 additional departmental officials would enable school principals to focus on leadership and professional development, teachers to focus on teaching, and whole school communities to focus on continuous tailoring and enhancing of their programs to meet students' needs (Merlino and Andrews 2015). While the one-line SGB would be maintained, funding amounts and funding formulas would be revisited following two independent reviews that had found resourcing was inadequate (especially for schools serving more disadvantage) and not as well targeted as it could be (Victorian Auditor General's Office 2014; Bracks Review 2015). If implemented, such adjustments could better match resources to educational need, including enhancing the definitions, and increasing the amounts, of equity loadings. It is also hoped that these modifications will decrease the widening gap between operating resources of schools in privileged areas and disadvantaged areas stemming from their vastly different capacity to fundraise from their school communities (Bentley and Cazaly 2015).

Policy making models and Schools of the Future

This chapter so far has traced the development of the Schools of the Future reforms in fine detail. Now it examines how well the policy making processes fit the dominant policy making models, which have not yet been appraised as tools for analysing subnational reforms in concurrency policy spheres in federal systems.

The Australian Policy Cycle

All eight stages³⁶ of the Australian Policy Cycle were clearly visible, but the model itself was unhelpful as a descriptive tool and as an analytical tool when understanding the reform process. These stages occurred simultaneously and throughout the reform process, in large part because development and implementation occurred concurrently. This had nothing to do with federalism and the division of roles and responsibilities. Instead it was down to the iterative, evolutionary reform model adopted by the key policy actors – Hayward, Spring, and Roskam– with the support of key stakeholders such as school principals. Issue identification, policy analysis, selection of policy instruments, consultation and decisions all occurred while Don Hayward was shadow minister for education. They also occurred after the election, once in government, during early and later stages of implementation. Consultation was continuous throughout the policy making and implementation process, and used to refine policy detail. The SGB went through several iterations, and the Guidelines for the School Charters and the Curriculum Standards Framework – two enormous policy documents - were only finished and fully implemented years after their introduction to schools. This pace and order struck Brian Caldwell, who was familiar with policy making timelines from his previous work with other governments, as unusual, causing him to say “Don Hayward and Geoff Spring seemed to me to move very, very quickly to what I’ll call a bureaucratic implementation mode” (Caldwell 2010).

Evaluation of the reforms using data from the Cooperative Research Project and using extensive feedback from schools in the pilot intake and each successive intake also occurred concurrently with implementation and concurrently with policy analysis and instrument development. Kinks and problems were ironed out in an iterative process based largely on consultation with schools, school

³⁶ These eight elements are: identifying issues; policy analysis; policy instruments; consultation; coordination; decision; implementation; and evaluation (Bridgman and Davis 1998 and subsequent editions).

leaders and experts. To quote Graeme Marshall, a general manager in the Victorian education department with responsibility for many elements of SOTF and its implementation, Don Hayward and John Roskam:

had done a lot of planning before the election ... It's not true to say that they had a kind of a blueprint. I think they had a direction ... a package, I think, which they saw a combination of school self management in critical issues of budget management, but within the context of state-wide policy on curriculum, and a stronger accountability framework. But in terms of the detail, I think that was worked out as we went along, quite frankly. There was an enormous amount of work done. There were regular meetings, many of which I went to where you got people around the table responsible for the various elements of the policy. (Marshall 2009)

The reform process is better understood as an iterative and evolutionary process, particularly when considering the school decentralisation reforms (those implemented and those thwarted) that preceded SOTF and which the policy actors could learn from and build upon. We now turn to the usefulness of Kingdon's model.

Windows of Opportunity

John Kingdon's model of agenda-setting and Windows of Opportunity provides insight into policy-making processes at the state level, and how and why the Schools of the Future reforms were successfully implemented by the Coalition government, when earlier attempts by the Labor government to extend devolution had failed. It also provides an explanation of why the reforms succeeded in the early 1990s (when the school policy sphere was characterized by a coordinate model of federalism and relatively loose Commonwealth conditions and oversight) and may not succeed today, given the extension of intergovernmental and national agreements on schooling, and increase in scope and complexity Commonwealth school policy and tied grants.

Kingdon posits that policy reforms occur when three separate and independent streams – problem, policy and politics – are aligned in a “Window of Opportunity” which is then exploited by a “policy entrepreneur”. Preceding the alignment of these streams is what Kingdon describes as “initiation”, unsettling conditions or series of events that provoke dissatisfaction with the status quo and disposition towards policy action (Kingdon 1984). In the case of SOTF, these were economic crisis and highly publicized reform failures of the previous state government. The problem stream refers to a political problem, such as policy failure – in this case the perceived ‘crisis of schooling’ and limited accountability. The policy stream refers to a society's public policy preferences and the

presence of alternative policies responding to the problem within those preferences – in this case public support for a dramatic extension of previous devolution reforms. The political stream refers to favourable politics – in this case, a majority in both houses of Victorian parliament and ineffective opposition from an electorally weak opposition party and from teacher unions, which were unable to keep up with the speed of successive reforms while undergoing their own internal reorganizations and contesting other reforms at the same time. Hayward can be viewed as the policy entrepreneur, with contemporary and subsequent primary and secondary evidence identifying him as the reform’s initiator and driver.

Hayward, with Spring and Roskam, pushed the reforms through, but they built on more than a decade of previous devolution initiatives in Victoria, as Graham Marshall explained in his interview:

What was different about us in 1992 compared to the '80s was the opportunity presented by the financial crisis in Victoria. What you had was basically a collapse of the Labor government because of the financial crisis, and you had a state that was essentially broke So what you had is this huge crisis in state governments and management, and what that allowed the Liberals to do in particular, but it would've probably allowed any government if they'd really wanted to, but the Liberals were better equipped to do it, was actually to ride, I would say, rough shod, over the various organisations and constituencies that had previously put up a very fierce resistance to the ideas incorporated in Schools of the Future.. and push the agenda through... which had been around for over ten years, and by unique position because they knew what they wanted to do. The opposition was nowhere capable of actually stopping a newly elected government in the middle of a crisis from doing what they wanted to do, but certainly in the eyes of many people what needed to be done. (Marshall 2010)

The fast pace with which the SOTF reforms moved through was enabled by several factors and enabling conditions, in line with Kingdon’s model as outlined above. The first factor was support of the cabinet and Premier Jeff Kennett of these reforms, which Don Hayward described as “part of the broader Kennett reform program” (1998:15). Although Kennett didn’t intervene in the reform’s development or implementation, his strong support for them in parliament and in public led to Caldwell describing Kennett as their “champion in a general sense” (Hayward 2010) in that it closely matched the Victorian Coalition government’s broader reform agenda.

The second factor facilitating the reforms’ rapid progression through development and implementation were government majorities in both houses of Victorian parliament, which allowed

their agenda to pass relatively quickly. Public support for the Keating government and its relatively radical reform agenda across the public sector and in education in particular was indicated by large voter majorities in the 1992 and 1996 state elections. The 'crisis of schooling' and parlous state of the state's finances could be considered the unsettling conditions in Kingdon's policy model. There was a pervasive sense of financial mismanagement in 1992, requiring radical and urgent reform. The state bank had collapsed, unemployment was several points higher than in other states, Victorians were migrating to other states at record levels, while investor confidence and business start-ups were at historic lows. There was also a widespread perception, fanned by the Institute of Public Affairs (IPA) that the Labor government's relationship with the unions was contributing to financial woes and stifling progress (IPA 1992; Gough and Taylor 1996; Cain 1995; Pascoe and Pascoe 1998; Marshall 2009; Hayward 2010).

Favourable press coverage was likely another factor that facilitated the reform's rapid progress. Press coverage of the SOTF reforms both before and after the election of the Kennett government was almost uniformly positive, with only occasional and muted concerns about pace of reform or risks of putting too much responsibility with individual schools. A typical example was *The Age's* editorial on 27 December 1993 which argued that:

By far the biggest change [since change of government a year previously] has been in education, where Mr. Hayward has had the onerous task of rationalising and streamlining a bloated and unmanageable system. He has broken the unions powerful grip ... with Schools of the Future, he has provided an opportunity for schools to become more independent, and innovative.

The Kennett government's wide reform agenda which saw simultaneous dramatic and contested reforms in other public service domains (such as transport) was another factor facilitating the remarkably swift implementation of the SOTF reforms. The Victorian parliamentary Labor Party, severely depleted in number by their crushing defeat in the 1992 election³⁷ was overwhelmed by having to fight so many fronts at once, making it difficult to mount concentrated political resistance or develop policy alternatives. The governments' decision to cease payroll deductions of union fees (evidence of advance planning to pre-empt obstruction) weakened the unions' capacity to fight

³⁷ The Victorian Labor Party suffered an eight per cent swing in the October 1992 election, winning only 27 of 81 seats in the Assembly (lower house) and only five of 22 in the Council (upper house). Eight members of the Labor ministry also lost their seats. (Victorian Electoral Commission 2015).

against both the SOTF reforms and the Quality Provision Framework. Their campaign was weakened by the strong support of the reforms by school principals and the general public, who were familiar with the viability of self-managing schools through the presence of Victoria's thriving private school system, which enrolled about a third of students.

Engaging principals as "change agents" (Hayward 2010) and "foot soldiers" (Roskam 2009) was a wise tactical move, and only possible in Victoria where the principals' associations were separate from teacher unions. Much was expected of principals as the interface (or "buffer" Blackmore et al. 1996) between the government and school communities, but attractive remuneration and professional development packages were offered to build their capacity and increase their willingness (Pascoe and Pascoe 1998: 27; Messina 1997; Marshall 2009). Hayward also operated an 'open door policy' for leaders of the three principals' associations, treating them as reform partners.

Finally, the opt-in strategy, whereby schools volunteered to participate in the reforms, was another clever implementation strategy that facilitated the reforms rapid progress. The Victorian government made it very attractive to opt-in through various incentives, including priority over capacity to select their own staff, and budget advantages. "By making it attractive they had schools lining up to join in" (Marshall 2009).

Conclusion

In this chapter I have traced the development of the Victorian Coalition government's Schools of the Future reforms from their genesis in earlier government reforms, through their rapid and radical expansion under Don Hayward and his team, who extended devolution to public schools to a degree that far surpassed previous experiences in Victoria or any other state. This was pursued alongside the development and implementation of new, expansive accountability and curriculum frameworks, and amidst major upheavals to industrial relations, public service restructuring and school closures and mergers. We have seen the striking approach in which policy making and implementation occurred simultaneously over a number of years, influencing each other and influenced also by direct and on-going consultation with stakeholders such as principals, teachers, parents and the public. The Australian Policy Cycle was not a useful descriptive model for the policy making process in this case, but Kingdon's model provided a useful lens to understand the

importance of contextual factors and policy actors in enabling the success of SOTF when earlier devolution attempts had failed.

Despite this unusual iterative approach to policy making and implementation, and despite the depth and breadth of the reforms, they were successfully introduced to all but two of Victoria's public schools three years after the Coalition won government. From both a systemic and local viewpoint, SOTF was a significant policy shift from how school education was managed and structured in other states (and Victoria previously).

In this chapter we have focused our analytical lens on these Victorian reforms at the state level only. What about the Commonwealth government, its programs and tied grants? What about the contemporary intergovernmental efforts to increase national consistency in Australian schooling? Did these other governments, intergovernmental grants or intergovernmental agreements attempt to counter or otherwise influence the Victorian reforms, described by one researcher as "the greatest attack on public schools in over a hundred years" (Townsend 1997)? In what ways did Australia's federalism system of governance indirectly influence the reforms? How useful is the Australian Policy Cycle and Kingdon's model of agenda setting and windows of opportunity in explaining the dynamics and success of this landmark state reform within a dynamic federal context? These questions are addressed in the next chapter.

CHAPTER 5: FEDERALISM AND SCHOOLS OF THE FUTURE

This chapter examines how Victoria's Schools of the Future (SOTF) reforms were directly and indirectly shaped by Australian federalism and how federalism later facilitated other states adapting elements of these reforms. It finds that while the Victorian government acted unilaterally and was unimpeded by tied grants or the actions of other governments in Australia, the coordinate model of federalism is inadequate at reflecting the complexities of roles and relations at play. This is because there were many diverse ways in which federalism indirectly shaped the policy making process and the reforms themselves: from the recruitment of expert policy actors from interstate in reference to the education minister's determination to do things differently to other states; to the scope and even the pace, which all flowed from the constitutional division of responsibilities and the evolving political settlement. It also finds that the cooperative model of federalism, and the collaborative, competitive and coercive models of intergovernmental relations failed to represent the dynamism or complexity of policy actions and interactions present in Victoria during this reform period. This chapter also considers overlap and its effects. It finds the 'insurance mechanism' was present, with Commonwealth tied grants mediating somewhat against state-level budget cuts, but it did not find the claimed negative effects of limited state policy autonomy or ineffective resource allocation. To the contrary, this case study suggests that Australia's state governments continued to exercise significant policy autonomy in schooling, despite the significant concurrency, and that tied grants helped rather than hindered the implementation of their landmark reforms. As in the previous chapter, while the full set of reforms is discussed, only the school funding and accountability elements are analysed in depth.

To date there has been no research explicitly examining the degree to which these landmark and highly influential Victorian reforms to schooling were shaped by intergovernmental processes, institutions, relations, or by the actions of other governments in Australia. This is a striking absence given the extensive analysis of intergovernmental relations and institutions during the early and mid 1990s, a period which has been described as "collaborative federalism" (Painter 1998a, 1998b) and "corporate federalism" (Lingard et al. 1992, Lingard 1993), both of which emphasise a productive working-relationship between the Commonwealth and the states, and in a period where the Commonwealth had reframed schooling as a national priority requiring greater consistency.

This chapter demonstrates that although Victoria was deliberately going far ‘beyond the pale’ in its reforms to its public school system vis-à-vis the policy frameworks in other states, and counter to national push for greater consistency, the reform objectives still matched against the Commonwealth’s own objectives, and the focus of the tied grants on outcomes rather than inputs or specific policy measures meant state innovation was not curtailed. Further, it will show that strong intergovernmental councils and good intergovernmental relations were not required for inter-jurisdictional policy learning and transfer in the schooling portfolio at this time (which was more influenced by comparative data), and will show that the formalisation of intergovernmental councils does not necessarily improve the quality or quantity of their output, which remains highly dependent on alignment of members’ interests and on conjecture.

This chapter begins by setting out the intergovernmental context in depth, including a discussion of the Commonwealth’s expansion in the schooling portfolio before and during Victoria’s reforms, and the changing role and activities of the ministerial councils for education. The next section examines the direct and indirect influence of federalism on Victoria’s Schools of the Future reforms, using the Australian Policy Cycle to concentrate attention on specific elements of the form process and gain a more sophisticated understanding. This section is followed by an analytical discussion of why the Commonwealth’s tied grants and the intergovernmental council did not impinge on the Victorian reforms. The chapter concludes with consideration of the factors that contributed to this instance of policy innovation and subsequent policy learning, including Kingdon’s model and contextual features shared with other federal systems.

The intergovernmental context of Victoria’s reforms

To understand the system in which Victoria’s reforms were pursued, it is essential to have an understanding of the broader intergovernmental context.

Commonwealth education policy in the 1980s and early 1990s

Commonwealth involvement in schooling had expanded in the 1980s and was continuing to expand in the early 1990s, with schooling framed as a national issue that required national consistency and Commonwealth leadership. John Dawkins’ period as Commonwealth education minister (1987 - 1991) in particular saw substantial changes in education policy, structures and intergovernmental relations, and a great increase in Commonwealth ministerial involvement on school policy matters.

Most notably, the independent Commonwealth government agency advising on schooling policy - the Commonwealth Schools Commission - was abolished and replaced by a National Board of Employment, Education and Training (NBEET) under direct ministerial control and supported by a departmental secretariat.

The Hawke and Keating governments provided two key justifications for increasing the Commonwealth's presence in schooling policy. The first and primary justification was economic. Record-high unemployment and economic restructuring had increased the need for a skilled, inventive and adaptable workforce, itself dependent upon increased formal education in the form of greater school competition rates and greater numbers of Australians obtaining tertiary qualifications (Dawkins 1988, Lingard 1993; 237). The second justification for a national approach to schooling was tied to its broader social justice program and the role schools could play in reducing inequalities. In Dawkins' view, schools had a "significant adjustment task that did not require additional resources" but instead required "more cooperation" between all those with responsibilities for schools at all levels". It also required "more effective use of resources" in schools at the system level and nationally (Dawkins 1988: 21-23). In other words, schooling was now a component of the Commonwealth government's broader microeconomic agenda, which necessitated greater Commonwealth involvement in policy formation, resource allocation and spending decisions.

The Commonwealth's attempt to develop a steering role was made evident in Dawkins' landmark ministerial statement, *Strengthening Australia's Schools*, which set an agenda for greater national collaboration, led by the Commonwealth.

The government is now considering the role of schools more broadly, in the context of a society undergoing significant social and economic adjustment. The Australian economy is part way through a process of substantial structural change ... The school plays a critical and central role in the nature of our society and economy ... Schools are the starting point of an integrated education and training structure in the economy ... Australia can no longer afford fragmentation of effort. Approaches must be developed and implemented in ways which result in real improvements in schooling across the nation ... To this end, the Commonwealth will be discussing the most effective ways in which its funding can be directed towards supporting the national education effort in collaboration with each school system. (Dawkins 1988: 1-7)

Soon after this statement's release, the Schools Council of the National Board of Education and Training began working on broad implementation strategies. At the same time, senior Commonwealth bureaucrats began work with their state and territory counterparts on developing national goals for schooling.

Paul Keating's accession to the prime ministership in 1991 signaled a new era of Commonwealth-state relations. Whereas Hawke favoured a corporate model of federalism and the strengthening of formal intergovernmental collaboration and institutions, Keating sought greater Commonwealth influence and involvement to enhance national consistency, which he deemed critical to improving Australia's economic performance. Education, training and work were increasingly linked as part of Keating's 'Knowledge Nation' policy platform and economic reform agenda.

Other federations at this time likewise identified schooling as an issue of national importance that could benefit from greater policy coherence. However, different intergovernmental strategies were pursued. In the United States, the Clinton government also pursued a number of initiatives seeking to improve the coherence of policy frameworks for school funding, delivery and accountability across the nation. Yet, unlike Australia, the US federal government accepted that leadership must come from the states, distinguishing between national and federal leadership (Fuhrman 1994; McGuinn 2006).

Nevertheless, in Australia constitutional and institutional restrictions meant that most Commonwealth programs in schooling over this period were still pursued via tied grants to states. Most often, these took the form of conditions attached to the general recurrent funding programs for schools, with only a small number of programs in the schools portfolio managed entirely by Commonwealth bureaucrats or their agents (Wilkinson et al. 2007). While Commonwealth funding and programs for schools were brought under closer ministerial control within a new 'mega' Department of Employment, Education and Training, and new consultative and advisory bodies were established in 1988 to partially compensate for the Schools Commission, these had no program functions, did not report publicly and were thus relatively weak compared with their predecessor (Connors 1999). The Commonwealth had limited capacity to enforce its funding conditions or even determine the extent to which program conditions had been met. Grants for general recurrent purposes and capital works were delivered using funding agreements negotiated between the Commonwealth and each state (for public schools) and between the Commonwealth

and private school authorities, although grants for the latter were provided via tied grants 'through' the states, who then passed it on to the relevant authorities.

Under these resource agreements, school system authorities were expected to add their own funding to the Commonwealth funds towards the achievement of educational outcomes consistent with the four (Commonwealth-determined) priority areas (DET 1987: vii). The priority areas were broad - such as improving student and teacher competencies - and thus supported by both major parties (Marshall 2009). Additionally, education authorities, such as state education departments (for public schools) or private school system authorities (such as the Catholic Education Office in each state) had to comply with Commonwealth reporting procedures and administrative guidelines designed as accountability measures to ensure (albeit with limited success) that Commonwealth funds were being spent on these priority areas. Such mechanisms were at that time still a novelty in intergovernmental Commonwealth funding transfers. These agreements also required school system authorities to participate in the *National Report on Schooling in Australia* (DEET 1993b: vii). These reports were supplied by school systems authorities (such as state departments of education) or by schools individually in the case of independent private schools. Participation in this national report and its accompanying statistical index was "the main way of satisfying Commonwealth Government accountability requirements for schools receiving Commonwealth financial assistance" (DEET 1993a: 46). The structure of this annual national report resulted in a standardisation of lists of principles, objectives and priorities which facilitated inter-state comparisons. These national reports also highlighted "important national and state plans for schools" (DEET 1993a: 46) which could have placed extra attention on Victoria's reforms in the minds of policy actors, researchers and educators in other states.

Commonwealth education policy 1992-1996

There were minimal changes to Commonwealth policies for schooling between 1993 and 1996, although the funding allocated to public and private schools continued to grow steadily. In 1992-1993, the Commonwealth provided \$2.87 billion for its programs for schools, administered by the Commonwealth Department of Employment, Education and Training. Two of the Department of Employment, Education and Training's six major programs were devoted to schooling. The first, 'Schools', provided general and targeted assistance to schools and school system authorities, in cooperation with system authorities to

equip the nation's young people with the necessary educational foundation to pursue post-school education and training; to compete in and contribute to the labour market; and contribute to Australian society while developing their full potential. (DEETa 1993: 43)

It was under this program, delivered via a tied grant that Victoria in the early 1990s received approximately 10 per cent of its public education funding. A further 30 per cent came from the untied HFE grant from the Commonwealth Grants Commission, which was delivered to state treasuries and pooled with the states' own finances.

One of the largest Commonwealth initiatives at the time of the Victorian government's Schools of the Future reforms was the Commonwealth's National Equity Program for Schools (NEPS). Introduced in 1993, NEPS replaced the many separate Commonwealth equity programs with one single program comprising four elements: Access, Equity, National Priorities, and Incentives. Each element included two more components, such as Disadvantaged Schools, Country areas, Disability and Literacy and Learning. The Commonwealth also continued funding a separate Australian language and Literacy Program, the Education Centres Program, and National Priority Funding Programs. All of these programs, including those now within the NEPS, directed funding to both public and private schools, and included extensive reporting guidelines as spending accountability measure (DEET 1993a: 55-58). The Commonwealth also provided grants under the 'Student, Youth and Language Support Program' which sought to "promote equality of educational opportunity by improving access to, participation and retention in, and completion of education, training and work experience, particularly through the provision of financial assistance". All programs, with the exception of the Aboriginal Education Strategic Initiatives Program and student assistance programs, were administered by the School and Curriculum Division of the Commonwealth Department of Education, Employment and Training, with assistance where required from the National Board of Employment, Education and Training (NBEET). The legislative basis for these programs was provided in the *States Grants (Primary and Secondary Education Assistance) Act 1992*. The objectives, administrative requirements and funding allocations for these Commonwealth schooling programs were set out in annual booklets of over 200 pages. These guidelines and program eligibility differed between school systems (public versus private) for some Commonwealth-funded programs, while for others they were the same.

In addition to these large and expensive programs, the Commonwealth also delivered a number of small, targeted programs directly to public and private schools. Although ostensibly focused on

achieving “national” policy objectives, these targeted programs were “the only area in which Commonwealth policy objectives were pursued with disregard for state policies” and in operational terms, were the “most authentic of the tied grants” in the sense that the “money was spent on the purpose that the Commonwealth specified and could not be absorbed into State own-purpose outlays or redirected to State policy priorities” (Watson 1998: 168). While they did represent real Commonwealth intervention in schools, these targeted programs were minor in relation to the other government funding for education such as the recurrent funding grants for schools.

For some education policy researchers such as Bob Lingard, *Strengthening Australia’s Schools* signified the emergence of a new form of intergovernmental relations in education, ‘corporate federalism’, characterised by negotiated and consensual intergovernmental relations led by the Commonwealth towards national policies. In this model, the Commonwealth government is the policy centre of the corporation, with implementation devolved to the branches (states) (Lingard 1991; Lingard 1993).³⁸ This strategy was considered an extension of the Commonwealth’s “neocorporatist’ strategies for co-opting and incorporating key private sector groups (unions, industry) in the processes of policy formulation” and, more broadly, applying crisis management strategies from the private sector to the public sector (Knight and Warry 1996: 231; Lingard et al. 1993). Lingard further argued that this corporate federalism approach and the tightening of tied grants to the states (making states vulnerable to national policy developments) allowed the Commonwealth to politically circumvent the constitutional and financial realities of Australian federalism and develop “a truly national approach to Australian schooling” (1991: 85). This assessment is completely at odds with that of Vijaya Ramamurthy (2012) and Louise Watson (1998). As this chapter will demonstrate, it is also at odds with the evidence gathered from the Victorian case study of this thesis.

³⁸ Lingard’s corporate federalism model is similar to the “Purchaser Provider” model suggested by Michael Keating and John Wanna (2010). In this model, the Commonwealth takes the lead in the determination of policy frameworks and the purchase of services and the states are responsible for policy implementation and service delivery.

Intergovernmental relations in an era of increasing Commonwealth involvement

The Commonwealth government was so proactive and interventionist in schooling in the fifteen years preceding the 1992 debut of the Schools of the Future reforms that education academics wrote “to a very significant extent ... Australian schooling has been influenced more ... by federal government policies than by the states” (Louden and Browne 1993: 106). This was despite the Commonwealth possessing no direct constitutional power and providing less than 10 per cent of the funding for public schools (1993: 106). State governments generally welcomed Commonwealth initiatives accompanied by funding, especially when Commonwealth program objectives overlapped with state program objectives, which was common. For example, the Hawke and Keating government’s equity programs in schooling had strong parallels with the Victorian Kirner government’s ‘Social Justice Agenda’, which was likewise aimed at improving educational and social outcomes for these same disadvantaged groups.³⁹

However, the states opposed the imposition of rigorous and increasing accountability arrangements, requirements to match Commonwealth funding initiatives with their own funding, and the Commonwealth’s involvement in areas such as schooling which they perceived as their constitutional responsibility (Watson 1998: 106; Keating and Wanna 2001). The Victorian government argued in 1986 (with bipartisan support) that tied grants should be restricted to legitimate national priorities or resolving inter-jurisdictional problems. They further argued that the conditions attached to tied grants be preceded by effective intergovernmental consultations at ministerial council meetings rather than determined unilaterally by the Commonwealth, be written into legislation, and be followed by intergovernmental reviews into their effectiveness in order to enhance accountability and protect the state’s interests (Victorian Government 1986:1).

The changing role of the intergovernmental councils

Tied grants were not the only vehicle used by the Commonwealth to pursue its policy agenda in Australia’s schools. Since 1932, the Australian Education Council had brought together education ministers from all the states and territories to discuss shared priorities and concerns in a collegial

³⁹ These included the National Aboriginal and Torres Strait Islander Education Policy (1989), the National Policy on the Education of Girls (1990) and the Participation and Equity Project (1984-1986) and the National Equity Program for Schools (1993-1996).

round-table environment. In 1972 the Commonwealth education minister became a full member of the council. The power balance shifted more towards the Commonwealth in the late 1980s, with minister John Dawkins using the AEC as a vehicle for pursuing Commonwealth policy objectives and a more nationally coordinated approach to schooling. This was in marked contrast to its operation in previous decades as a forum of ministerial discussion, with the substantive work undertaken by state education department directors (Spaull 1987).

Foremost among these new national projects were the Common and Agreed National Goals for Schooling (1989), the establishment of a curriculum corporation jointly owned by the Commonwealth and the states (to develop a national curriculum framework and subject profiles), an annual report on schooling performance, and national teaching standards and frameworks. National testing and national employment-related competencies were also pursued. Most of these were initiated by the Commonwealth, but had strong support amongst states at the time (partly due to shrinking state budgets for state curriculum authorities), and there was significant collaboration and development work occurring between meetings. It was argued that these initiatives would lift standards, reduce unnecessary differences between jurisdictions, reduce duplication, share resources and expertise and improve economics of scale in the production of curriculum materials (Dudley and Vivovich 1995: 51-52; Wilkinson 2007: 144). While nominally a product of intergovernmental collaboration, the preeminent role of the Commonwealth in shaping the statements was universally acknowledged, with the states voicing concerns about Commonwealth control (Dudley and Vivovich 1995: 145). Similarly, the premiers' conferences, whilst in principle a forum of consultation and negotiation between the Commonwealth and the states, had not provided the states with significant and meaningful input in the actual decision-making processes, particularly with regard to what revenue they would receive from the Commonwealth (Victorian Government 1986: 1).

The election of several Coalition governments at the state level from 1992, including Victoria's Kennett government, changed the balance of power in the Australian Education Council away from the Commonwealth and towards the states. New Victorian education minister Don Hayward had arrived on the scene after the critical decisions had been taken and believed the national curriculum statements had been drafted hastily by government officials and without adequate consultation (Hayward 2010; and Warry 1996; Lingard et al. 1995). At the 21 July 1993 AEC meeting the Coalition states, led by Victoria, voted to defer implementation of this national project

and instead send the curriculum statements, along with other initiatives, back to each state for a thorough review (Welsh 2000: 22; Knight and Warry 1996: 12). This indicated that the AEC's agenda would no longer be dominated by the Commonwealth. Kim Beazley, the new Commonwealth education minister, responded by threatening to use the tied grants to force the states to comply with the national curriculum framework (Dudley and Vivovich 1995: 156). When the states later agreed to trial the curriculum statement and profiles and collaborate on the national curriculum framework, it was the states, rather than the Commonwealth, that drove the agenda, which ultimately fell short of the Commonwealth's original goals as set out in Dawkin's 'Strengthening Australia's Schools' statement.

The Australian Education Council was reviewed late in 1993 and replaced in April 1994 by a new intergovernmental Ministerial Council of Education, Employment and Youth Affairs (MCEETYA), comprised of state and commonwealth ministers for education, and serviced by a small secretariat funded by all Australian governments. The Commonwealth's presence was expanded – as evidenced by the domination of Commonwealth agenda items. Domination of the agenda, however, did not necessarily translate into influence over the states. MCEETYA provided a less flexible vehicle than the AEC for the Commonwealth, with the successive federal education ministers and departments finding its tactics “frustrating” (Knight and Warry 1996: 12). Consequently, the Commonwealth government relied less on intergovernmental cooperation through the Council and its financial clout, with tied grants in education and beyond increasingly used as a “bargaining counter” (Martin 1996:15), leading to council meetings that Victorian bureaucrat Graeme Marshall described as “testy” (Marshall 2009) and which Victorian education minister Don Hayward described as “a brawl” (2010).

Decreased Commonwealth influence in the new intergovernmental council could also be partly attributable to partisanship. Whereas previously Commonwealth and a majority of state ministers were from the Labor Party, from mid-1993 onwards there was a majority of non-Labor state education ministers less sympathetic to federal Labor's agenda. The effects of the changed configuration on the embryonic national initiatives indicate the extent to which intergovernmental institutions and products depend on the alignment of the interests of the political actors and the issues of the moment, or in other words, on the current constellation of political actors and objectives.

Relations between Victoria and other states during the Schools of the Future Reforms

Beyond the AEC/MCEETYA meetings, there was minimal communication between Hayward and education ministers in other states. This non-relationship is attributed to two factors. First, Victoria was pre-occupied with its own reforms and lacked the time and financial resources to devote to outside projects and building intergovernmental relations in education. Second, from a ministerial office perspective, there was no reason to seek closer relations with other states education ministers and departments because Victoria had nothing to learn or teach the other states as their school systems were far more centralised than in Victoria and they demonstrated no interest in following in Victoria's footsteps (Hayward 2010; Roskam 2009).

While collaboration between states and the Commonwealth stalled, collaboration among some of the states increased, with the creation in July 1993 of a states-funded Education Forum, which complemented the meetings of Coalition education ministers that had already been going for a number of years. These meetings were relatively informal, sometimes taking the place of a dinner before the formal MCEETYA meetings. Good relations existed with the New South Wales Minister for Education, Virginia Chadwick, who had devolved some budgeting and staffing responsibilities to school principals and created over 1000 school councils. Informal discussions over dinner would be the source of valuable advice for Hayward, particularly while in opposition. Despite both serving as ministers in Coalition governments, they didn't "do business" with each other (Hayward 2010). While this professional relationship and collaboration may have been facilitated by party allegiance (namely shared political values and ideological frameworks), it was neither necessary nor a guarantee of cooperation, with ministers most concerned with maintaining electoral support and pursuing their own agendas.

We have seen that Commonwealth involvement in schooling and intergovernmental efforts at national policy making towards greater consistency stepped up significantly before and during the period in which Victoria's landmark and controversial Schools of the Future Reforms were pursued. We now turn to the reform process, to see whether or how intergovernmental relations and intergovernmental initiatives shaped the reforms.

How federalism shaped the Victorian reforms

To examine the direct and indirect influence of federalism on the development and implementation of the Schools of the Future reforms this study I used the Australian Policy Cycle as an analytical

tool to break these large processes into specific elements on which I could then apply analysis from an intergovernmental perspective. These elements are 1) identifying issues; 2) policy analysis; 3) policy instruments; 4) consultation; 5) coordination; 6) decision; 7) implementation and 8) evaluation. I will demonstrate that notwithstanding the policy actors describing the reforms as “totally unilateral” (Marshall 2009; Roskam 2009) and “100 per cent unilateral” (Hayward 2010) there is compelling evidence that Australia’s federal system of governance shaped the reforms, albeit for the most part indirectly.

As I demonstrated in the previous chapter, the policy issue was defined in the years before the Coalition’s election victory in the 1992 state election. This policy problem was understood by the minister as two-fold. The first element was exorbitant schooling expenditure on schooling with no clear connection to student learning outcomes, which were mediocre. The second element – in the minister’s view - was an unnecessarily large and unresponsive department, concerned more with its own continued viability than with students’ needs, and with minimal accountability for its actions, inactions and results. This departmental overreach restricted schools’ abilities to flexibly meet their students’ needs and their own priorities (Hayward 1998). The internal and external drivers that led to this definition of the policy problem were largely state based. For example, the state’s financial crisis and budget overruns (within and beyond the education portfolio) impelling dramatic reforms and budget cuts, the party political platform on reducing the size of government and empowering ‘consumers’ through application of market principles, and the Coalition’s previous election policy, an embryonic form of the later SOTF reforms, which overlapped significantly with the proposals made by Labor’s Ian Cathie and were quashed by the Labor cabinet in 1986.

However, we can also see federalism directly and indirectly influencing this problematisation. Hayward and his staff (before and after the 1992 election), and departmental officials (after the election) used comparisons with schooling expenditure and learning outcomes in other Australian states to provide an influential benchmark against which Victoria could assess its own school spending and outcomes (deemed too high and too low, respectfully). The school funding report ordered by Hayward straight after the election found that Victoria’s average funding rate for public school students was 8.6 per cent higher than the Australian average and 14.6 per cent higher than those in New South Wales and Queensland. It recommended the on-going funding base for schools be reduced by 8.3 per cent over the record 1991-92 expenditure to “bring it in line with other states” (Cullen 1992:2).

The availability of this comparative spending and performance data for yardstick comparisons was the result of conditions in the Commonwealth's tied grants for schooling from 1987, data that had grown in scope and comparability in the successive years. The secondary 'issue' as defined by the Victorian minister, in contrast, appears to stem from ideology and personal beliefs that were broadly shared by the Premier Jeff Kennett and his cabinet. So while the problematisation was a unilateral process by Victoria, it was clearly influenced by policy decisions and outcomes in other states. Benchmark data on funding and outcomes were instrumental in framing the policy problem and determining new funding amounts.

Another way the federalism shaped Victoria's "unilateral" reforms was through the movement of policy actors and expertise between states. In opposition, Hayward avidly read the work of Professor Brian Caldwell from the University of Melbourne, who had researched school-based management and devolution reforms around Australia and internationally, and had assisted with the development and implementation of school-based management reforms in Tasmania. Caldwell was soon brought in for a meeting with the then shadow minister for education and would later be appointed to the taskforce overseeing the reforms' development, appointed to head the committee designing and reviewing allocation formulas and budget guidelines to schools (whose major recommendations were all adopted), and appointed as a member of the Cooperative Research Project which would evaluate the effects of SOTF. Caldwell brought an intergovernmental perspective to the Victorian reform process which he would then share with other governments elsewhere in Australia.

The recruitment of Geoff Spring from the head of the Northern Territories education department to become the director of Victoria's Directorate of School Education is another example of how experience and expertise from interstate was fed into the policy analysis informing the SOTF reforms. Spring's recruitment owes much to the formal and informal institutions of Australia's federal system of government. Hayward had been searching around Australia for someone to be his "chief executive officer" and "drive the reforms through the bureaucracy". His business background had initially led him to favour someone from outside of education, but "experience in other states had shown that this rarely worked" (Hayward 1998: 35). At one of the meetings for Coalition ministers and shadow ministers for education that were regularly convened by the then shadow minister for education, David Kemp, Hayward spoke at length with Shane Stone who was then the minister for education in the Northern Territory. Although Hayward described these regular,

informal, intergovernmental, education meetings of partisan allies as “fairly unproductive” they still contributed to a richer understanding of the policy issues dominating the agendas of Coalition governments and party rooms, and thus the policy analysis element of the Australian Policy Cycle.

One such meeting concluded with Stone offering for himself and his staffers to spend a day briefing Hayward and Hayward’s team on “the big education issues” during an upcoming visit they were making to Melbourne to participate in a formal intergovernmental meeting. The person in Stone’s team that would do most of the briefing was Geoff Spring, a former teacher turned bureaucrat and currently Secretary of the Northern Territory’s Department of Education and Training. His reputation for strength and ruthlessness in pursuing reforms had earned him the nickname “the crocodile” from NT’s teacher unions. Spring had a very strong national background. He had worked on curriculum development at a Commonwealth level in the late 1970s and 1980s, and had also worked in Queensland. Hayward decided that Spring was exactly the person he required to implement the Schools of the Future reforms and pursued him to become his departmental chief. Had the NT minister and his team not been coming to Melbourne for their intergovernmental meeting, it is possible that Geoff Spring and Hayward may not have crossed paths, and he would not have played his role pushing the reforms through with great pace and determination.

When it came to smaller elements of the SOTF reforms, such as designing the Teacher Professional Recognition Program and the new principal classifications structure and benefits of new principal classes, comparisons with models currently or formerly in place in other Australian states was an explicit and influential element. For example, the report of the project team investigating principal classifications repeatedly refers to classifications, remuneration and other aspects present in each of Australia’s other states and territories (PTIPC 1993). Departmental officials would also refer to work of their counterparts in other states (Marshall 2009).

The three central elements of the reform package and key policy instruments were determined more than 18 months before the 1992 election while Hayward was still opposition minister for education (Brown 1991). Consultations with school principals and other stakeholders both prior and subsequent to the election made it clear that Hayward and his team “weren't looking for ideas about what to do. They were looking for ideas about implementation” (Marshall 2009). However, Hayward’s reading of Caldwell’s work on a school-based management experiment in Tasmanian indicated their feasibility in an Australian context and were critical to him adopting them as his preferred policy instrument. Later, while minister, Hayward’s observations of other states’ public

school systems and his recognition that they were far less devolved and he had “nothing to learn from them” (Hayward 2010) may have encouraged his explicit decision to pursue his policy instruments - school based management - to a much greater degree. Graham Marshall, a General Manager in the Department of Education in the early years of the reforms with responsibility of SOTF implementation, offered this view:

[SOTF] was a particularly Victorian initiative, and that's where the issue of federalism comes in because as far as I'm aware there was [no one else pursuing it to the same degree, although there might have been some supporters]. Certainly in Tasmania the work of Brian Caldwell and Jim Spinks was drawn on, but that was very small scale and certainly not major. It wasn't pushed to their system to the extent it came to be pushed in Victoria. (Marshall 2009)

Intergovernmental consultation

Consultation was extensive throughout the development and implementation process but it was focused at state level. It was directed primarily at school principals and teachers and secondarily at parents and the general public. This consultation was through peak associations – especially the Primary Principals Association, the Secondary Principals Association and the Victorian Principals' Federation – smaller, appointed taskforces, and between the minister or his delegate and school communities.⁴⁰ It directly informed and influenced policy details. Other states were not directly consulted as the minister thought he had “nothing to learn” from them with respect to the reforms (Hayward 2010).

I think they [Hayward and his ministerial office] were totally unilateral in terms of consultation preparation with anyone else out of Victoria. Yep. There's no evidence I could see that they were keeping in touch with other governments. I mean, I think they would've kept in touch with other Liberal governments to let them know what they were doing, but there was no evidence that they were framing their policy or they were kind of looking at ways in which they could help other administrations or other jurisdictions. It was entirely Victoria focused. (Marshall 2009)

⁴⁰ The minister's office excluded the largest school parent's association, the Victorian Parents Federation because of their very close connection with the previous Labor governments, whom it was thought (by all the policy actors interviewed) they were still “in league with”. The three teacher unions were also formally excluded from policy making, although there was ongoing liaison and open communication between the three major teacher unions and the education department's Human Resources' branch.

There were, however, formal and informal meetings with ministers and shadow ministers on other education matters such as national curriculum statements and the National Goals for schooling. These were described as a “brawl” and “irrelevant” (Hayward 2010). All those interviewed in relation to the SOTF reforms independent emphasised that these formal and informal intergovernmental institutions did not influence the Victorian SOTF reforms. Nor was SOTF ever on the agenda of the Australian Education Council or the Ministerial Council for Education, Employment, Training and Youth Affairs.

Separate from these formal intergovernmental meetings, Victorian government officials watched and learned from the reform experiences of other states and these observations directly influenced some decisions in the policy making process. For example, they were aware of the NSW Greiner government’s thwarted attempts at introducing some limited decentralisation reforms. The Greiner government had been elected in 1988 on a similar platform to the Kennett government, but without the financial crisis that framed Victoria’s 1992 election. In Marshall’s analysis, the NSW minister for education had “made the huge mistake of taking on everyone” including the Catholic school systems and “created this huge swell of opposition where all the parties united against him and [ultimately] achieved nothing.” Marshall emphasised that Victoria learned from the New South Wales experience and were very careful whom they targeted with their reforms. These observations of experiences of other states directly informed major decisions, such as Victoria’s decision not to sack teachers.

The Victorian government also sought to learn from other federations, sending official delegations of public servants and principals to the Edmonton school district in the Canadian province of Alberta, a pioneer in school-based management and importantly, example of innovation in a federal country.

Coordination with the Commonwealth

Intergovernmental coordination was not required for the development and implementation of the Schools of the Future reforms. Not even for the funding and accountability elements. Despite the Commonwealth pursuing greater consistency in schooling (through tied grants and through the AEC/MCEETYA) their initiatives and those of the Victorian government were not at complete “cross purposes” as may first seem, with the two level of government sharing the same broad policy goals and the same sympathies in approaches. The tied grants did not constrain the Victorian

government and there no letters or phone calls between the Victorian minister for education and his Commonwealth counterparts about SOTF. The AEC and MCEETYA were tangential and inconsequential to the reforms, not affecting policy details or implementation. The Victorian Coalition government's education reforms, and to a lesser extent, its state-wide reform agenda under Kennett, was coherent with the Commonwealth Labor government's reform objectives under prime minister Keating.

There was, however, intergovernmental coordination and effective intergovernmental relationships between state and federal public servants on other issues. The administrative relationship was better than the political one. Various intergovernmental committees were always being set up with state and Commonwealth public servants, and Geoff Spring would sometimes chair these. Spring also worked closely with his counterparts, the chief executives of education in other states, regardless of the party holding government in those states. There was also a continuing state-based, intergovernmental committee that assessed requests to set up new private schools, decisions made after reflecting on the provision of existing public and private schools in the local area as part of the federal Labor government's New Schools Policy. This demonstrates that intergovernmental relationships exist at multiple levels or dimensions, and take multiple forms simultaneously and underscores my argument that it is simplistic and inaccurate to say federalism or intergovernmental relations took a single form in a single portfolio, even in a time-limited period. It also underscores the importance of the work done by government officials away from their leaders and away from the media spotlight.

Implementation

When it came to implementation, the Victorian government was not limited by the conditions attached to the tied grants from the Commonwealth government. However, the grants provided a valuable supplement to the state's own funding for school education and assisted the development and implementation of the reforms by buffering against state-wide budget cuts ordered by the premier. The administrative division of responsibilities within the state and the size of the state made it easier to proceed with system-wide funding and management devolution than had the public school system comprised of autonomous or semi-autonomous school districts, as is the case in some other nations. Compared to the Commonwealth, the states had fewer stakeholders they needed to negotiate with, and unlike the Commonwealth it had direct relationships with those

stakeholders – principals, unions, teachers – through employment contracts, *Victorian School Education News*, program delivery and more. It was easier to implement in a single state than across a vast nation-continent, and easier when schools aren't too different, and within a single school system. Unlike the Commonwealth, the Victorian government didn't need to go through agents such as state treasury and state education departments to implement new funding mechanisms or professional development programs. It could simply change the mechanism or programs and directly monitor them. The principal-agent problem was largely avoided.

Finally, Victoria's political tradition of liberalism, institutional arrangements (such as the separation of principals' associations from teacher unions, which in other states were both parts of a larger entity or single union) and a deeper experience with, and commitment to, decentralisation and devolution than other states, as well as its geography (smaller, more condensed and with fewer isolated schools compared to other states), facilitated the reforms and offer some explanation of why the SOTF reforms occurred in Victoria rather than other states. These contextual factors and their often under-acknowledged influence on policy making and implementation underscore the importance of state boundaries and divergences that grow between states, even where those borders are argued to be administrative or based on historical accidents. As Marshall (2010) later reflected, "it was only in Victoria, with its particular history, that it had quite separate, distinctive and to some extent competing organisations representing teachers and principals. Those were a very important contextual factors."

Evaluation

Although evaluation of the reforms was undertaken at state level, using state-gathered data from the Cooperative Research Project, there is still evidence of federalism indirectly facilitating this process. Direct connections between schools and the government department administering the reforms made data collection a much easier endeavour than it is for a Commonwealth government. It also removed many comparability issues faced by national bodies such as the Productivity Commission and the Australian Bureau of Statistics when comparing the different allocation formulas and accounting processes used by different states, which results in a time lag of several years.

There was no standardised national testing in Australia at the time of the SOTF reforms. There were however, other data sources on school student achievement in literacy and numeracy which made

it possible to compare the educational performance of Victorian students before the reforms with their performance before the reforms, and also to compare Victorian school students with those in other states. This intergovernmental performance comparison would later be enhanced by the introduction of national tests in literacy and numeracy by David Kemp, the education minister in the Howard Commonwealth government. Data was also collected by all Australian states on student numbers, attendance, retention, staff numbers and spending, which continued to serve as a benchmark against which Victoria measured itself.

What can we learn about federalism from Schools of the future?

The design and implementation of the SOTF reforms can be described as a unilateral set of actions by the Victorian government, driven from the Victorian education minister's office. There was no Commonwealth government contribution or constraint in the policy process. Central policy actors - minister Don Hayward, senior policy adviser John Roskam, and senior bureaucrat Graham Marshall - independently and repeatedly emphasised the non-existent role and influence of the Commonwealth minister government on the reforms. This is supported by the policy documents, government and media archives, and academic analysis to date. The relations with the federal minister and Commonwealth government were described by Don Hayward as "deplorable" (Hayward 2010). While the minister for education, Kim Beazley, his successor Simon Crean, the minister for schooling Ross Free, and the Prime Minister Paul Keating, were "good people", they were on "different wavelengths" (Hayward 2010). Beyond the AEC/MCEETYA meetings, there was no formal collaboration or consultation between the Victorian and Commonwealth ministers for education and schooling, with Hayward and his staff unable to recall a single letter or phone call exchange with his federal counterpart in relation to the Victorian reforms. This is despite the conditional tied grants for schools, the Commonwealth-led drive for greater national uniformity, on-going tensions between the Commonwealth and states concerning jurisdictional legitimacy in the education policy sphere and differing attitudes between the two governments on national consistency, aggravated by their fact they came from different political parties with different guiding philosophies (Hayward 2010, Roskam 2009, Marshall 2009).

Tied grants a help, not a hindrance

There is no evidence to suggest that the Commonwealth, and conditions attached to the tied grants for schooling impacted on the SOTF reforms in any way. This is noteworthy, considering the reform

were fundamentally about school funding – how it was spent, who by, and how it was accounted for. Hayward professed no awareness of any constraints on how Victoria spent the money, describing the tied grant as a cheque with “no strings attached” as far as policy direction was concerned, and that the Commonwealth tied grants were simply added to the state’s own education budget. Furthermore, Hayward holds no memory of being informed by departmental staff, political staff, or Commonwealth government representatives that his proposed reforms had to be amended in any way to conform to Commonwealth spending and reporting requirements. The Commonwealth’s funding for Victoria’s public schools (comprising about 10 per cent of the total government funding for Victoria’s public schools) was pooled with the state’s own funding for public schools. While the resource agreements with the Commonwealth required the state government to spend these tied grants for schooling on national priorities, these priorities were broad enough to be shared by all governments, regardless of political party, such as improving literacy and education outcomes of the disadvantaged. In an interview, Graham Marshall concurred, saying that “Commonwealth agreements at the highest level were fairly general at that stage” and that these agreements were “a fair way away” from the “more detailed, prescriptive elements” introduced by the Howard, Rudd and Gillard governments (Marshall 2009). Indeed “participation in the National Report on Schooling in Australia and its accompanying statistical annex [was] the main way of satisfying the Commonwealth government education accountability requirements for schools [and systems] receiving Commonwealth financial assistance” (DEET 1993a: 46).

A large part of this flexibility in expenditure was due to the fact the Commonwealth’s education departments had in the late 1980s and early 1990s moved towards outcomes-based assessment. As Marshall (2009) recalls:

[The Commonwealth] didn’t stipulate the mechanisms by which the outcomes were to be achieved. The federal funding was provided based on achieving certain outcomes, but it was also based in certain circumstances on having certain sorts of consultation and processes. So if a Commonwealth program demanded you had parents and teacher unions sign up, the state government put parents and teacher unions on it.

[Victoria was] able to use Commonwealth money basically to push their own initiatives, their own priorities. They had to take account of Commonwealth priorities, which usually weren’t a problem because they normally had to do with student outcomes, literacy and numeracy... [because] these sorts of targets and objectives didn’t seem to impinge on the key policy objectives at the state level. (Emphasis added)

The pre-eminent attention in each school's global budget on improved educational outcomes, and the additional 'equity' loadings provided by the Directorate to schools enrolling students with additional needs (disabilities and impairments, disadvantaged and minority backgrounds, rurality) were consistent with the national priorities and were accommodated within mandated spending guidelines and reporting requirements. In particular, the guiding principles of the Caldwell Committee for school global budgets, outlined below, aligned very closely with those of the Commonwealth government's tied grants for schooling.

THE CALDWELL COMMITTEE'S GUIDING PRINCIPLES OF FOR THE 1995 SCHOOL GLOBAL BUDGET

Education pre-eminence is the single greatest factor in determining the structure of School Global Budgets. The primary aim of School Global Budgets is to match educational resources to the learning needs of students.

Fairness means that schools with the same mix of learning needs will receive the same total of resources.

Transparency refers to the need for clear arrangements, easily understood by all, for the allocation of funds to every school.

Subsidiarity suggests that a decision should only be made centrally if it cannot be made locally, and carries the recommendation that maximum funds should be made available for school-based decision making.

Accountability complements authority and responsibility as a cornerstone of the Schools of the Future program. Schools are given the responsibility to design educational programs and the authority to deliver these programs. Equally, schools are accountable for the outcomes of their programs.

Strategic implementation of new funding arrangements over a period of several years will ensure that all schools will be able to accommodate the new funding levels with a minimum of disruption.

(DSE 1994b: 3. Emphasis in the original)

The senior public servant working on these reforms stated that the depth of detail and data required by the Commonwealth on the spending of these tied grants didn't impinge on Victoria's policy objectives (Marshall 2009: 53:25). Roskam agreed that conditions attached to the tied grants did not affect the SOTF reforms or other Victorian education policies, but they "sometimes had to

fiddle [with reporting against set conditions] to gain the flexibility we needed” and would use coloured highlighter pens to match their actions and priorities against those required by the Commonwealth in their extensive guidelines (2009). Interestingly, a similar approach was used in Tasmania in the 1980s in the Roseberry District Schools experiment with self-managed schools, which Brian Caldwell assisted with. Caldwell (2010) explains:

[Jim, the Principal of the School] got this big bundle of money from the state education department, but a lot of it was tied grants [from the Commonwealth]. And so he had to do two things. One, allocate the money according to need and each school according to priorities and then make sure that the Commonwealth requirements were met. Now what he'd do was he'd make his budget and then he had a series of coloured texta pens. And on one sheet of paper he had all of the financial restrictions, and he'd just go over his budget and colour them. This is green money, this is Commonwealth money, I will show it being spent here, here, here, it's consistent with [the Commonwealth priorities], assisting students from disadvantaged backgrounds, improving literacy and so on. (Caldwell 2010)

The three-pronged accountability framework established as part of the SOTF reforms - comprehensive annual reports by schools submitted to parents and the DSE; comprehensive triennial reviews of schools; and the systemic assessments of student learning through the new Learning Assessment Program which evaluated all students in the state at certain year levels, the new General Achievement Test for Year 12 students; and other indicators such as those on student attendance and retention - was far richer than the limited state accountability provisions they replaced. This new model included far more data at the systemic and school levels on schooling outcomes, and much finer-grain information in each school's reports on how government funding for schooling was being spent to improve student learning outcomes.

From the Commonwealth's perspective the conditions attached to the tied grant had been satisfied to a greater degree than previously, and they had neither the inclination nor the institutional capacity to investigate or challenge Victoria's spending on school programs. They certainly lacked the capacity to read the reports of each of Victoria's public schools and determine whether the information provided was correct. Victoria never lost any Commonwealth money nor was formally reprimanded by the Commonwealth.

I have demonstrated that the objectives of the SOTF reforms (better-targeted funding at system and school level, to better meet relative educational needs of schools and their students, and more

responsive) were in broad alignment with the Commonwealth's educational goals. I now argue further that the Commonwealth government was supportive of the SOTF framework philosophies underpinning in. The federal Labor government had adopted principles of economic rationalism and new public management in trade policy, in industrial relations, and in the delivery of national social services. There was a good relationship and strong mutual respect between the Victorian Premier Jeff Kennett and Prime Minister Paul Keating.

Kennett was a rationalist when it came to education, but he wasn't interested in the education side of things; he was interested in the economic side of things. And, of course, the federal government through John Dawkins was very much pursuing a policy that in some ways, and certainly at the higher education level, was similar to the -- well, compatible with the Victorian government policy in relation to schools. So the extent to which we say that Victoria was running contrary to all federal directions, you know that has to be merely rated by the fact that we don't know what the federal government would've done had they had the kind of responsibility for actually implementing policies rather than having to work through states. So that whole question of federal-state relationships isn't as simple as it looks. While it looks as if Victoria was head-on with the Commonwealth, there was, in fact, a sort of arrangement made. (Marshall 2009)

Robyn Hollander (2010) has suggested that under the 'New Federalism' arrangements, the Hawke and Keating governments saw their role as setting broad national goals, and states were free to pursue these goals as they saw fit. The findings from this study support this argument in relation to school funding. Despite the discordance with rhetoric from the Commonwealth education ministers, the Commonwealth was content for Victoria and other states to deviate from the other states on school funding and management policies if the national priorities and national goals for schooling were pursued and reported against, and the money accounted for.

These findings on the unilateral nature of the development and implementation of this Victorian government reform is at odds with much of the contemporary and subsequent academic, parliamentary and public commentary that emphasises Commonwealth influence and interference in state policy domains and the restrictive and distorting effects of these tied grants (e.g. FSRC 1998; FSRC 1999a, FSRC 199b, Fenna 2007). Yet my findings are consistent with those of Louise Watson (1998) who found that the Commonwealth was unable to effectively ensure that the conditions and purposes of recurrent grants for public schools were met by states, and that such conditions were largely ineffective as a means of influencing state policy and programs. Similar

observations have been made in relation to federal grants for education purposes in the United States, whose grants were likewise found to be ineffective vehicles for federal policy influence (Tsang and Levin 1983; Gordon 2007).

There were fractious relations between Victoria and the Commonwealth on other, unrelated matters. The closure of 159 schools as part of the Quality Provision reforms drew sharp and public rebuke from the Commonwealth government (Lalor 1993: 7), as did the Victorian government's delaying and downgrading of the Commonwealth-led national curriculum project (Knight and Warry 1996; Hayward 2010; Marshall 2009; Roskam 2009). But on the subject of Victoria's radical changes to school funding, and the associated changes to curriculum, planning and accountability under the new governance and operating framework for schools, the Commonwealth was silent.⁴¹ Victoria's minister for education, Don Hayward, firmly believed it was "none of the Commonwealth's business" and any thoughts or directions they had on the reforms were "irrelevant" as it simply was not their concern what Victoria did in its public school system (2010).

Influence of intergovernmental education councils on Schools of the Future

The evidence suggests that there was no influence from the AEC and MCEETYA on the design, development and implementation of Victoria's reforms. The biennial and triennial meetings were referred to by the Victorian government policy actors most intimately involved in the reforms as "necessary distractions" (Marshall 2010), "irrelevant" to their state agenda (Roskam 2010) and even "the greatest waste of time" (Hayward 2010). The documentary record substantiates these perspectives. The meetings of these intergovernmental councils were dominated by the Commonwealth and focused on issues inconsequential to the SOTF reforms, such as school starting age, higher education and training, and what Hayward (2010) considered "esoteric questions, far removed from immediate questions of schooling". One exception was the intergovernmental council's pursuit of a national curriculum statement, which was to cover most of the subjects taught in school. Hayward resented what he saw as an unnecessary encroachment on state sovereignty,

⁴¹ Industrial relations are an interesting side point here. Victorian public school teachers successfully moved to a federal award following changes to Victorian Industrial Relations Commission. This caused obstacles for the Victorian government and limited the actions it could take. Victoria now had to be very careful not to breach the Commonwealth award or sack a single teacher. But while it influenced their behaviour and how they went about certain things, it didn't influence the reforms objectives or details.

and effectively quashed this early attempt at a national curriculum, particularly following the election of other Liberal and National governments in other states. The council's discussions, taking place behind closed doors, were described by Hayward as "brawls", and motivated by desires for "sound bites" and favourable media coverage. Formal horizontal cooperation was limited but not heavily influenced by partisanship, with Hayward recalling "the Labor-Liberal split didn't affect things much" and that each state would do what it wanted and needed to do (Hayward 2010). This is a striking endorsement of the rational actor theorem from a policy actor.

[The Victorian Government] had a very unilateral approach to things that they could control. They kept everyone out, but where they were involved in national initiatives, they went along and got the maximum benefit for the Victorian agenda. And that's what most states did in those days. (Marshall 2009)

Education ministers from Liberal and National state governments would caucus before the formal meetings of the intergovernmental council, and informal discussions were a source of advice and moral, with the New South Wales minister for education having recently pursued some limited devolution reforms. As I suggested in Chapter Two, while this collaboration was facilitated by party allegiance and shared political values and ideological frameworks, it was neither a necessary precondition, nor a guarantee of policy cooperation. Ministers remained most concerned with maintaining state electoral support and pursuing their own state agendas, and would engage with national and Commonwealth initiatives where they aligned with their own priorities, including maximising funding for programs they already were pursuing or wanting to pursue. My findings from this focused, qualitative study affirms much earlier and more general studies by Painter that found that "intergovernmental cooperation is often tactical, and it will normally be temporary because it coexists with competition and conflict within and across issues... it occurs where parties see the possibility of mutual benefit" (1996: 106). Greater formalization of intergovernmental institutions, as advocated by Jenny Menzies (2014) among others was not required, nor correlated with cooperation in this case. This case study on schooling reform therefore deepens our understanding of intergovernmental collaboration in Australia.

This absence of effective collaboration is attributable to two factors. First, Victoria was fully pre-occupied with its own reforms and lacked the time and financial resources to devote to outside projects and building intergovernmental relations. Second, from a ministerial office perspective, there was no reason to seek closer relations with other states whose school systems were more

centralized, and who at the time demonstrated no interest in following in Victoria's footsteps (Hayward 2010, Roskam 2009). However, by 1998 all Australian states had devolved additional budget and management autonomy to schools in their systems, and the new Commonwealth government also took active interest, as we shall now examine.

Intergovernmental policy learning after the reforms

There is strong evidence suggesting horizontal policy learning, transfer and adaption among after the implementation of Victoria's reforms. By 1998, Queensland, ACT, Tasmania, South Australia, Western Australia and New South Wales had devolved additional responsibilities to school councils and boards, including staffing and budget decisions. For example, in 1997 the ACT introduced Enhanced School Based Management (SBM) and School Global Budgeting, which devolved management and finance for most school operations including cleaning, maintenance, education and energy experiences, equipment and professional development (ACT Department of Education 1996). Several years later, ACT government schools were granted greater flexibility in the use of their staffing resources with the introduction of a "single line or 'global' budget for expenditure on staffing, services and curriculum materials", although this flexibility did not include schools being able to recruit their own teachers. (Hugh Watson Consulting 2004:4). Queensland's program was titled Leading Schools. Tasmania's was called Directions in Education. In 2004, almost every state was using a one-line global budget allocation to schools based on a school's size and relative need as part of their student resource package and referring to these instruments in their policy documents using the same language used by the Victorian government in its SOTF reforms.⁴²

The aims of these devolution reforms in other states likewise mirrored those put forth by Victoria years earlier. For example, the aims of the ACT's Enhanced School Based Management initiatives were to:

- Improve educational outcomes for students through increasing the range of decision-making and resource management at the school level;

⁴² E.g. NSW Department of Education and Training's *Global Funding Guidelines and Procedures 2004*; SA Department of Education's *2004 Global Budget Notes*; Victorian Department of Education's *Guide to the 2004 Indicative School Global Budget*; Tasmanian Department of Education *2003 School Resource Package*.

- Provide for the efficient delivery of services to the school community with a minimum of administrative overheads and an emphasis on community controls; and
- Provide the opportunity for local decision-making (ACT Department of Education 1996).

The publicly available reports and materials in other states that proudly presented their devolution reforms echoed these aims and objectives but only briefly mentioned Victoria's trail-blazing reforms that occurred prior to their own (if they even mentioned them at all) and did not explicitly say they were copying or inspired by SOTF. Instead, they often mentioned their jurisdiction's own tentative and intermittent moves in this direction from the 1970s, suggesting these newer initiatives were a 'natural extension' of an existing or earlier initiatives. Publicly available policy literature from different Australian states also take pains to point out the differences between their reforms and arrangements in other states in relation to the degree of central planning, central staffing decisions and centrally (or regionally) delivered administrative support. These differences reflect the capacity of states and territories to pursue and adapt policies to suit local preferences and needs, as well as different political cultures. This is an example of the policy laboratory in action. Experimentation in one state, followed by similar experimentation and adaptation in others, with some states at times (Victoria) going far beyond the status quo, with other states observing and later emulating and adapting further to suit their own circumstances. This experimentation and adaptation towards greater consistency was independent of any Commonwealth direction.

However, in an example of vertical policy learning and transfer, the Commonwealth government would also demonstrate interest in Victorian reforms. In 1997, the Howard government's minister for education David Kemp commissioned Brian Caldwell to write a report *Self-managing Schools and Improved Learning Outcomes*, published by the Commonwealth Department of Employment, Education, Training and Youth Affairs. The purpose of the report was "to provide a state-of-the-art account of research and practice on cause-and-effect relationships between enhanced school autonomy and outcomes for students" (Caldwell 1998a: 3). This report made no mention of the role of the Commonwealth. These issues were partially explored in an earlier paper for the Commonwealth by Caldwell, *Administrative and Regulatory Mechanisms Affecting School Autonomy in Australia* (Caldwell 1988a). This particular example indicates the facilitative role of mobile policy actors, moving between jurisdictions, to share their expertise and experience as part of policy learning and transfer processes that are part of the policy laboratory effect.

Horizontal and vertical policy learning from SOTF has continued long after the introduction of the reforms in Victoria. For example, in 2010, Western Australia introduced its Independent Public School initiative to selected public schools, emulated to a degree by Queensland, and New South Wales extended greater powers to public schools under its Local Decisions initiative from 2011. It is worth noting that NSW schools remain highly centralised compared to Victoria, which remains the most devolved public school system in Australia and one of the most devolved public school systems in the world. This indicates that rather than transplanting full reforms or applying “best practice” from other jurisdictions, Australian states adopt what Eugene Bardach (1994; 2006) describes as “smart practice”. This distinguishes itself from best practice in its emphasis on the specific policy needs and divergent contexts that need to be considered by a government or institution when considering which programs are most appropriate for its circumstances. As we have seen, contextual factors differ significantly between states and can tremendously influence the degree and scope of reforms pursued.

At the Commonwealth level, the Gillard Labor Government’s National Plan for School Improvement had an “empowered school leadership” element that purported to give principals “greater authority to make decisions affecting their schools, including staffing decisions, introducing programs tailored to their school and managing school budgets” (Australian Government 2013: 11). Similarly, school autonomy is a central plank of the Abbott and Turnbull Coalition government’s Students First policy platform, which seeks to transform an additional 1500 Australian public schools into ‘independent public schools’ (based on the Western Australian model, itself based on Victoria’s Schools of the Future) using \$70 million in Commonwealth grants as incentives (DET 2015). It is important to note here that these Commonwealth “initiatives” followed the state initiatives, indicating that policy leadership continues to come from the states, rather than from above.

Which model of federalism?

“[Our reforms were] 100 per cent unilateral [with] no cooperation from a ministerial office perspective ... the feds were irrelevant ... It was none of their business.” (Hayward 2010)

“The role and influence of the Commonwealth was non-existent. They were irrelevant. We did what we wanted. It was completely unilateral.” (Roskam 2009)

“I think [the SOTF] were totally unilateral in terms on consultation and preparation with anyone else outside of Victoria ... It was entirely Victoria focused.” (Marshall 2009)

Despite a constant tension between the Commonwealth and state governments concerning jurisdictional legitimacy in the schooling portfolio, and differing attitudes between the two governments on the merits of national consistency, there was no direct intervention from the Commonwealth on the Victorian reforms, which were driven unilaterally by Hayward, Spring, Roskam and Marsh, with the support of the Premier Jeff Kennett, the school principals and, to a degree, the rationalised education department.

But, as we have seen, there is strong evidence that despite the absence of direct involvement from the Commonwealth government and from other Australian governments, Australian federalism directly and indirectly shaped or facilitated the reforms in multiple ways. While there was no deep bilateral or intergovernmental engagement by Victoria, intergovernmental comparisons informed policy analysis, policy instruments, and the extent of the reforms. It also led to recruitment of policy actors with subject expertise in other states. Yardstick comparisons facilitated by the *National Report on Schooling in Australia* informed decisions on spending and were used to track progress and for evaluation. More broadly, the distribution of roles and responsibilities informed the scope of the reforms and increased the pace of implementation: compared with the Commonwealth, Victoria had fewer stakeholders and veto points, direct connections to schools, while VFI facilitated the laboratory effect of these major innovations through HFE and tied grants. The policy laboratory effect was evident with Victoria experimenting with a degree of school devolution far beyond that in any other state, driven by its unique political culture and history, but also enabled by contextual and institutional factors, which explain why the reforms happened there rather than in other states. Policy learning was evident before the Victorian reforms, and after reforms by the other states and also Commonwealth initiatives, indicating horizontal and vertical policy learning and transfer.

While the design and implementation of the SOTF reforms constituted a unilateral action by the Victorian government, and the coordinate federalism model was a more accurate reflection than the other models, it would be inappropriate and inaccurate to describe the division of roles and responsibilities in schooling policy as an example of coordinate federalism, where the two levels of government operate separately. Concurrent federalism with dual presence and changeable roles and relations determined by pragmatism and opportunism is a more accurate conception.

Concurrency existed in the form of Commonwealth funding and programs for schools, pursued through tied grants, and their accompanying accountability mechanisms. While they did not directly influence the policy detail or decisions, this concurrency had an indirect, positive influence

on the autonomous Victorian reforms. The Commonwealth tied grants facilitated state policy innovation by moderating the effect of the budget cuts impelled by the state's economic crisis. Other indirect influences of Australian federalism (though not of the Commonwealth government) was the role of interstate comparisons of school funding, which determined the Victorian government's new (lower) funding amount, comparisons with other states on public service executive recruitments, learning from each other's experiences and mistakes, the movement of policy actors between states and levels of government, the presence of horizontal fiscal equalisation and the informal policy settlement whereby the states have responsibility for providing (public) school education and the Commonwealth has assumed responsibility for supporting private. Marshall (2009) put this succinctly:

The government wasn't particularly concerned about non-government schools. They basically left them alone, and their [reform] focus was on the government school sector.

In short, in this study, Australian federalism was found to be broadly functioning in line with the Constitution, allowing state autonomy, policy innovation and Commonwealth financial assistance in areas deemed to be of national priority. This is incongruent with the majority of contemporary and subsequent analysis of Australian federalism – both public and academic - which argues that Australian federalism is broken, that the Australian Constitution is (and was in early 1990s) outdated and ignored, and that Commonwealth intrusion into state policy domains via tied grants and programs has a detrimental effect on state autonomy, policy effectiveness and government accountability. It also undermines the belief, prominent especially amongst education academics, media commentators and federal politicians, that a greater federal role and policy uniformity is necessary to improve outcomes and accountability in school education.

Explaining this “incongruence”

Canada's experience with schooling is most informative for Australians seeking to understand federalism and schooling policies in greater depth. Canada has no national government involvement in schooling policies or general funding, but still has one of the world's top-performing education systems and possesses close convergence among provincial school system structures and per-pupil expenditure (Wallner 2009; Wallner 2010). Jennifer Wallner attributes this to contextual features of Canadian federalism, namely fiscal federalism, societal pressures, and the configuration of the policy sector, which combine to facilitate the flow of policy ideas and expectations across

regional borders through formal and informal institutions. She argues that stakeholders (such as teachers and parents) possessed similar interests and policy preferences, and formed associations that transcended provincial borders. This encouraged the creation of policy communities that fostered policy experimentation and emulation in efforts to achieve or maintain high performing school systems relative to other provinces – aided by (largely untied) horizontal fiscal equalization payments that allowed them to spend comparable amounts (Wallner 2010). Similar arguments have been made by William Coleman and Grace Skogstad (1990) who posit that in a federation, stakeholders simultaneously enhance the exchange of policy ideas among the regional governments, while exerting pressures for comparable policies from authoritative actions in each jurisdiction, by acting as policy communities and networks. This application of institutionalism and its variants clarifies the importance of the institutional and political settlement in facilitating policy innovation and emulation at the state level.

Applying these arguments and analytical framework to this case study of Victoria's Schools of the Future, I argue that the fiscal arrangements which characterize Australian federalism – notably horizontal fiscal equalization via Commonwealth funding transfers, facilitated by vertical fiscal imbalance – has allowed states to develop school systems operating at similar resources levels, while institutional arrangements such as the intergovernmental ministerial councils, a national media, and comparable interest groups and pressures across states have created issue networks which spurred horizontal policy emulation. In this case, devolution as a framework for financing and managing state school systems emerged gradually from the 1970s without action from the Commonwealth government, with the Victorian reforms of the early 1990s acting as a trigger for relatively rapid punctuated convergence amongst states in the mid 1990s, before reaching a new equilibrium in the school funding settlement. The Commonwealth requirement from 1988 that states report annually on educational outcomes on a range of settings increased the capacity for comparisons between school systems, and possibly contributed to other states adopting components of Victoria's reforms in quick succession. Commonwealth funding for schools was a critical addition to the state education budget in a period of state fiscal austerity and economic crisis. The findings of Hollander (2010) for environmental policy - that overlap and duplication of policy responsibilities are a strength rather than a weakness - appear equally valid for the school funding sphere. This suggests that reforms seeking to clarify responsibilities could remove important mechanisms that protect against policy failure. Landau (1969) argued that redundancy (concurrency) "serves many vital functions... it provides safety factors, permits flexible responses

to anomalous situations, and provides a kind of creative potential.” These three features appear present in the SOTF case.

It is difficult to imagine this degree of policy innovation and emulation if Australia had been a unitary state, or had there been a more interventionist and coercive Commonwealth government that discouraged state diversity. Hayward, Roskam and Marshall independently remarked that they thought the SOTF reforms would have faced greater and potentially insurmountable impediments had they been pursued after 2004. This was because the tied grants providing the states with recurrent funding for their school systems were much more prescriptive than in the 1992-1996 period. In Kingdon’s terms, there would have been too many factors to manage and too many veto points. It is problematic for the Commonwealth to seek to improve “best practice” on all states, rather than letting states examine the reforms and select the “smart practice” befitting their specific contexts. Imposing a particular approach on a state also limits their ability to experiment with different and potentially superior policy alternatives.

It is equally difficult to imagine the reforms and subsequent policy learning and transfer occurring under a different constellation of political actors and opportunities, due to the contextual factors I have outlined, the strength of state policy actors, and the receptiveness of Commonwealth policy actors. This provides further support for an understanding of federalism as encompassing the dynamic relations and processes between levels of government, political institution and actors – rather than static institutions disconnected from their political and institutional context.

The dynamism of intergovernmental relations and institutions, and the opportunities and constraints therein, affect different state jurisdictions differently, due to different contextual features, different political dynamics (including political culture, government majorities) and the different people occupying positions of influence in and beyond government. This adds further strength, depth and nuance to our understanding of why and how federal systems of government facilitate policy innovation and continuous adaption and reinforces my finding of the presence of policy laboratories in Australia in the schooling portfolio.

Conclusion

This study of Victoria’s Schools of the Future reforms show that Australia’s state governments in the 1990s had autonomy to innovate in school policy, and that other governments, tied grants and

intergovernmental institutions were of minimal direct influence. Despite the presence of tied grants with extensive spending and reporting guidelines, Victoria was able to innovate and go beyond contemporary policy norms. Tied grants did not tie the hands of the state. To the contrary, tied grants facilitated these radical and landmark reforms, as they mediated against state-level budget cuts, protecting the schooling portfolio from the depth of expenditure reductions made in other state portfolios in 1992 and 1993. These tied grants were possible due to institutional features of Australian federalism, such as high vertical fiscal imbalance and the Commonwealth presence in schooling policy.

However, despite the fact that these reforms were developed and driven unilaterally by Victoria without any direct input or restrictions from other levels of government or intergovernmental agreements and councils, and despite the fact that they applied only to Victoria (and for some elements, only to public schools) it is inaccurate to describe this as adhering to the coordinate model of federalism, where each level of government gets on with its business with no or minimal involvement from the other. Federalism had a significant and indirect influence on these Victorian reforms at both macro and micro levels, during both policy development and policy implementation. The intergovernmental political settlement defined the scope of the reforms – funding for public schools; curriculum and regulatory frameworks reforms for all schools. While formal attempts at intergovernmental policy making were ineffectual, the presence of intergovernmental institutions and processes, horizontal fiscal equalisation payments, comparative data on school funding and outcomes, and the movement of policy actors between jurisdictions (and the knowledge and experience they carried with them) encouraged horizontal and vertical policy learning and transfer, with the Victorian reforms (including spending per pupil and administrative decisions) informed by spending and administrative decisions in other states. This intra-national (between state) policy learning and diffusion was stronger than international diffusion. Explicit comparisons to spending amounts and policy setting in other states directly informed or determined major and controversial policy decisions in the cases under examination. This evidence was consistent across interview data, policy and government documents, and other archival material. Indeed, evidence was found indicating indirect influence of federalism for each 'stage' of the Australian Policy Cycle, even though at a distance the reforms appear to be (as the policy actors described) 100 per cent unilateral. The situation, thus, is much more nuanced and interesting than first appearances suggest.

Despite “deplorable” intergovernmental relations within AEC/MCEETYA and stalled progress on national curriculum statements and other national initiatives, there is evidence of significant and rapid policy learning and ‘smart practice’ adoption by other Australian states. Following the change of Commonwealth government, vertical policy learning complemented this horizontal policy learning. This ultimately resulting in a new equilibrium and greater consistency than had existed during the reform period when Victoria was a significant outlier. This suggests formal collaboration and Commonwealth direction or support for greater consistency was not required. The formalisation of MCCETYA did not deepen or strengthen intergovernmental cooperation or intergovernmental agreements. This case suggests policy learning, including the gravitation towards greater consistency from the continuous adaption of interstate innovations to meet specific jurisdictional needs and preferences can occur without good intergovernmental relationships and without increased formalisation of intergovernmental institutions such as ministerial councils.⁴³

Evidence from this state-level case study indicates benefits of federalism such as innovation and the policy laboratory effect, but it is important to note that this was facilitated by tied grants that did not prescribe funding inputs or policy instruments to be used towards stated policy outcomes. It also indicates that inter-jurisdictional policy learning was occurring before, during and after the Schools of the Future reforms, informing policy decisions in Victoria, in other states, and by the Commonwealth. The claimed detriments of federalism - unhelpful overlap and duplication - were not present in this case. Indeed, overlapping funding roles helped Victoria achieve its policy goals. The Commonwealth’s roles in schooling were not really duplicative, especially following its retreat from the curriculum sphere.

This state-level case study has shown that intergovernmental relations took multiple forms within the schooling portfolio within this single period of reform. While the intergovernmental council meetings were often “a brawl”, and subject to attempted coercion by the Commonwealth, there were also instances of effective cooperation and strong, working relationships between public servants at each level of government, as well as a degree of competition when it came to inputs and outcomes. Power balances shifted from Commonwealth-dominated to state-dominated, and progress on any national initiative was more influenced than alignment (or not) of government

⁴³ It is possible however that better intergovernmental relations could have resulted in more productive collaboration on genuine national projects.

agendas than partisanship. There was no single model of federalism (coordinate, cooperative, coercive, collaborative, competitive or corporate federalism) that encapsulated this complexity.

While models of federalism were inadequate as explanatory and analytical tools, the policy making models – the Australian Policy Cycle and Kingdon’s Windows of Opportunity model – were helpful. In particular, breaking the policy process into discrete elements (identifying issues, policy instruments etc.) was a valuable tool to examine and identify instances of direct and indirect influence of federal institutions, actors and processes that were not readily evident when looking at the reform process or reform end product as a whole. Similarly, Kingdon’s model helped to underscore and better understand the reasons why federal systems can enable policy laboratories at the state level: differing political and policy contexts, different and fewer actors, direct connections to stakeholders, making it easier to negotiate, easier to influence how long the “window of opportunity” was open and easier to implement, and with fewer veto points.

We now turn to our Commonwealth case study to investigate that set of reforms and policy making processes and determine the ways in which it was shaped by Australian federalism.

CHAPTER 6: THE DEVELOPMENT OF THE COMMONWEALTH'S CHOICE AND EQUITY POLICIES

The Howard government's Choice and Equity reform package introduced a new funding model for private schools across Australia, the socio-economic status (SES) model. This was the most significant and controversial Commonwealth reform to the funding of private schools since the debut of recurrent general Commonwealth funding for the sector in 1974.⁴⁴ The Choice and Equity package was accompanied by two minor yet highly significant revisions to the Commonwealth's recurrent grants for public schools, the Enrolment Benchmark Adjustment (EBA) initiative and extended accountability requirements for state education departments managing public schools, stemming in part from a Commonwealth-led intergovernmental initiative on literacy and numeracy benchmarks and the National Goals for Schooling, developed by the (intergovernmental) Ministerial Council for Education, Employment Training and Youth Affairs (MCEETYA). Together, these reforms signify a period of substantial upheaval in the school funding domain that began in 1996 when the Liberal-National Coalition won office and John Howard initiated the first official reviews and legislative changes, to 2005 when the final tranche of private schools converted to the new funding model.

This chapter begins with the background to these Commonwealth reforms. Next it traces the policy development processes from their genesis through to their implementation using the same conceptual framework employed for the Victorian case study – the Australian policy cycle complemented by use of Kingdon's model for agenda setting and government decision-making. The chapter will show how the SES model for school funding arose from a defined policy problem – the growing administrative difficulties and stakeholder dissatisfaction with the existing funding model and how it was also propelled by the philosophical convictions of the Commonwealth education minister David Kemp and Prime Minister John Howard. This chapter will demonstrate that the

⁴⁴ Even following the introduction of the 'Gonski' funding model by the Gillard government, which includes a base amount – the Student Resourcing Package – top up with loadings for various forms of disadvantage, the SES has been retained as the measure of relative disadvantage and the proportion of the base amount allocated by the Commonwealth to private schools.

Australian Policy Cycle neatly matches the policy making processes of the Commonwealth education minister and his department, who deliberately pursued this approach. Finally, it will also show how the limitations of Choice and Equity policy can be understood with federalism and Kingdon's model.

This detailed examination of this policy and descriptive analysis of the policy making process will then serve as the foundation for the following chapter which will be a deeper exploration of these reforms within their federal context.

Background to the Reforms

A 'problem' to be resolved: the ERI funding model

The Educational Resource Index (ERI) model for allocating Commonwealth general recurrent funding to Australia's private schools was introduced by the (Labor) Hawke government in 1985 as part of a 'historic settlement' after four years of research and consultation by the Commonwealth Schools Commission (CSC 1984; Lenahan 1981). Under the ERI model, schools were placed in one of 12 categories of relative financial need based predominantly on an estimation of their financial resources: income from fees, bequests, investments and so on. Schools with lower ERI scores were deemed to be in greater need of government funding and received a greater proportion of the Community Standard - a level of funding determined by the CSC as the minimum funds needed to run a school. This model rested on four main principles: stability and security in funding arrangements; a commitment to needs-based funding; recognition that the primary responsibility for funding private schools was with private school authorities; and the economic use of scarce resources (DEET 1989: 4).

Block funding arrangements existed for school systems. This effectively meant the Commonwealth delivered funding for all schools in a particular system (such as Victorian Catholic systemic schools, Queensland Anglican Schools, or Tasmanian public schools) use resource agreements and tied grants to states to the authority for each system (such as the Victorian Catholic Education Commission or the Tasmanian education department) which then distributed the funding among their schools according to their own formulae and priorities. The amount of Commonwealth funding for each private school system was derived from the enrolment-weighted average of the individual ERI scores of each school in the system, which was then applied on a per capita grant

basis to each enrolled student. In later years, separate and additional arrangements were set in place for the Catholic sectors, who received a 'deemed ERI score' based on perceived need, rather than a weighted average of the needs of each school in their systems. Independent private schools (those that did not belong to a system) received their funding direct via the tied grant paid through the state in which the school was based. As a condition of their resource agreements with the Commonwealth, private school authorities were required to meet accountability and administrative conditions set by the Commonwealth Department of Employment, Education and Training (DEET). This included participation in the annual National Report on Schooling in Australia, agreeing to the 'national principles' established by the Commonwealth, and complying with the reporting procedures that sought to ensure Commonwealth funds were being spent on priority areas (DEET 1994: vii). Schools were also expected to increase their private income by three per cent (in real terms) each year, although increases over five per cent could result in a reduction of the Commonwealth funding (Wilkinson et al. 2007: 140; DEET 1990: 20).

Reviews to this funding settlement in 1988-90 resulted in minor adjustments, but the ERI model and its application remained largely unchanged, except for an increase in the overall level of funding, especially to private schools with an greater estimated need. Schools' relative financial needs were reevaluated every four years, which could result in their being moved to a lower funding category if it was found that had substantially increased their private revenue. Schools that were moved to a lower funding category following financial review retained their existing per capita grant in dollar terms until the effects of inflation brought them into the correct funding category. Movement to a higher funding category was more difficult to achieve. These reviews also urged the Commonwealth to consider the relationship between its various grants for schools and to consider longer term, intergovernmental issues stemming from school funding policies (Wilkinson et al. 2007: 138-42). In 1993, following further reviews the 'community standard' benchmark was replaced by the Average Government School Recurrent costs (AGSRC), which DEET considered to be a simpler and more realistic benchmark of actual costs (DEET 1993a: 46-67).

Dissatisfaction with this ERI model had been increasing over time, particularly from independent private schools, many of which were placed in the lowest funding categories. These schools believed their diverse student communities merited a higher funding level than that calculated by the ERI model. The ERI was also criticised for its complexity, its contradictory outcomes and its vulnerability to manipulation. Schools with greater resources could afford accountants and

consultants to organise their affairs in a way to exaggerate their financial need and thus be placed in a higher funding category. Ministers could overrule departmental suggestions. It was further argued by private schools that the ERI incorrectly assumed a school's student body to be largely homogenous in socioeconomic profile when this was not necessarily the case (Wilkinson et al. 2007:).

David Kemp formed the view while he was the federal Coalition's shadow education minister (1990-1996) that the ERI was unnecessarily complex and riddled with a number of inequities. Schools that were equivalent in many ways were provided very different Commonwealth funding levels while some very different schools were treated as if they were uniform. In his view, the system "unhelpfully" discouraged private investment, which he thought was destructive to the sector as a whole (Kemp 2011). He was further convinced that the model was open to political manipulation, which exacerbated these inequities and contributed to opacity. At a conference of independent private schools in 1995, he pledged to thoroughly review the ERI system and "put in place a more equitable model" (Kemp 1995). It was not clear at this stage whether this meant revising the current arrangements or replacing them with a new system. As the federal election approached, the Coalition reiterated its commitment to review the Commonwealth's funding system for private schools and promised to provide them with \$19.5 million in additional funding. The Coalition also pledged to abolish the Labor government's New Schools Policy which restricted establishment of new private schools in areas where there was not deemed to be sufficient demand (Federal Coalition 1996).

The Coalition's objectives in reforming private school funding was to increase school choice for families by increasing the size of the private school sector and making these schools more affordable. The Coalition also wanted to encourage private investment in schooling.⁴⁵ These two objectives were thought to ultimately drive competition amongst schools and by extension, increase the quality of education in all schools – public and private.

These commitments were honoured soon after the Howard government's election victory on 2 March 1996, when Kemp as the new Commonwealth education minister commissioned the

⁴⁵ It is unclear how the Coalition thought its secondary goal of encouraging private investment in schools (allowing schools to increase their fees by a larger amount) would make private schools more affordable to families.

consultancy firm KPMG to examine the Commonwealth's current funding arrangements and suggest alternatives. Kemp outlined two factors for choosing this external firm to perform the initial review. The first was the limitations of departmental resources, particularly so soon after a change of government and when several other schooling initiatives were being pursued concurrently. Second, Kemp hoped that a fully independent review - that is, performed at arms-length to government but within terms of reference established by government - would lend greater credence and validity to their conclusions and thus a stronger argument for the (as yet unspecified) reforms he viewed as necessary.

I certainly had the view that identifying the problem and highlighting the characteristics of the problem was an important element in making the political case for reform. If there's no problem, it's hard to justify changing the situation. (Kemp 2011)

The resulting report, *Evaluation of the Administration of the General Recurrent Grants for Schools Program* (KPMG 1996), was provided later that year to the minister and was damning in its evaluation of the ERI model for funding private schools. It demonstrated that the model failed to meet the Commonwealth education department's desired criteria of transparency, predictability and robustness, was overly complex and inflexible and was not an effective indicator of a school's relative need. In preparing their report, KPMG was required to take private schools' views into account. No such instructions were given to take the views of state governments into account, despite the fact the states retained primary responsibility for schooling and would be affected by any changes in Commonwealth funding for private schools.

Much of the criticism related to the ERI's complexity. Schools with a deeper knowledge of the intricacies of the ERI funding formula could use it to gain an advantage over other schools (KPMG 1996: 2-3). This complexity resulted in part from successive decisions by Commonwealth governments not to immediately reduce the dollar amounts schools received when they were moved to a lower funding category. Consequently by 1996 there were 30 different levels of Commonwealth funding, more than half of which didn't correspond to any of the 12 ERI levels. Adding to this complexity were the separate, block-funding arrangements for Catholic systemic schools and other systemic schools, which comprised 60 per cent and seven per cent of all private schools respectively. These systemic schools were funded at relatively high levels - category 10 or above - and the funding was provided *en bloc* to their relative system authority, which would then distribute the funds to individual schools according to their own formulae. These decisions also

meant that some schools with the same assessed relative need under the Commonwealth's model received different Commonwealth funding per student, causing confusion and resentment (KPMG 1996: 50; Wilkinson et al. 2007: 153). Most of the critiques were concerned with the operation of the model (special arrangements and manipulation), as opposed to the model itself (KPMG 1996: 76). With the policy problem now clearly identified, KPMG suggested an alternative needs-based funding model, in which relative need was assessed using the income of students' households.

Ideological drivers

While the inequities resulting from the ERI system and its operation can be considered the policy problem, there was another driving force behind initiation of the SES model and its other reforms to school funding - ideology. In Kemp's view the Howard government's school funding reforms were driven by a belief that "parent choice should be encouraged as a value and that, as far as possible, all parents should be placed in a similar position in making educational choices" (2011). This ideological commitment to school choice was part of a broader and deeper application of liberalism as a political philosophy to Australian government policy. "The gestation of these reforms was very long" Kemp stated in 2011, reporting that he had avidly read material on school choice as a university student in the 1960s. Of particular inspiration to him was Milton Friedman who proposed the separation of public schooling from government administration and delivery through the use of publicly-funded voucher models (1955; 1980). Influenced by his reading, Kemp began writing about alternative arrangements to school funding and delivery while still at university, sharing the ideas with others from the Melbourne University Liberal Club of which he was a highly active member and one time president. These discussions with Liberal Party members and other interested individuals continued over the following decades, during which time Kemp continued to seek out and read material on school choice. Work by the London-based free market think tank the Institute of Economic Affairs was identified by Kemp as particularly influential. Kemp also had a formative experience while working in the office of Prime Minister Malcolm Fraser shortly after finishing his PhD in political science, where he had some involvement with John Carrick, who he considered one of the greatest Commonwealth education ministers (Evans 2011, Kemp 2011).

These philosophical roots of the development of the SES reforms should not be underestimated. Kemp was institutionally connected to the revival of classical liberal thinking in Australia (C. Berg

2015). He was the son of C.D. Kemp, the founding director of the Victorian free market think tank the Institute of Public Affairs (IPA). His brother, Rod Kemp, was the IPA's Executive Director while David was a member of the federal opposition.⁴⁶ In that period, the IPA had a focus on education policy, with Dame Leonie Kramer running its Education Policy Unit. The IPA's 1992 *Project Victoria* was a manifesto for deregulation and privatisation in Victoria and prominently featured education vouchers. David Kemp and Rod Kemp spoke almost each day.

More broadly, education reform was an increasing focus of new right thinking in the late 1980s and early 1990s. There were two major reasons for this. First, the apparently successful and bipartisan economic and structural reforms led by Labor Commonwealth governments under Hawke and Keating meant that conservative and classical liberal policy makers, academics and commentators turned their attention to other areas. Friedmanite voucher models seemed like an ideal way to apply the lessons of free market economics to social policy. One particularly influential book by the early "dries" was *Australia at the Crossroads* (Kasper et al. 1980), which recommended Australia adopt a voucher scheme for funding school education. Furthermore, education was one part of the "culture wars", which brought under its wing everything from the controversy over the 1988 Bicentennial celebrations to the furore over Geoffrey Blainey's 1985 and 1988 comments about Asian migration to Australia. Education curricula and standards were then, as now, of core interest to right-of-centre intellectuals and activists.

By the time Kemp entered federal parliament in 1990 he already had a "well-formed view that whatever funding arrangement there was, it should be one which provided parents equitably with choice options in schooling" (Kemp 2011). Choice, he and others argued, "leads to the allocation of resources to the institutions which better meet people's needs and which trigger effective action to ensure that poor performance is upgraded" (Kemp 1996a). Kemp was explicit about the centrality of this principle in driving this and associated reforms, arguing that "a fundamental principle underlying the government's role in school education is to support the right of parents to choose the educational environment which best suits the needs of their child" (Kemp 2011). Introducing amendments to the legislative framework governing the Commonwealth's recurrent funding for public and private schools, he would again espouse the virtues of a policy of choice in driving

⁴⁶ Rod Kemp would later be elected a Liberal Party Senator and become Assistant Treasurer under the Howard government.

educational improvement and investment. Choice was also described as “a democratic right” and “a powerful tool of influence when wielded by individuals and families” (Kemp 1996b).

The minister’s attachment to the issue of school choice was remarked upon in the media and academia. Writing in *The Australian* newspaper, Richard McGregor and Claire Harvey (1998) declared “Kemp is unflinching on this issue; ‘freedom of choice’ was the mantra he was chanting as far back as 1990, when he first became Opposition education spokesman.” Similarly, in a prominent article, Jean Blackburn, a former Schools Commission member, critiqued the Howard government’s explicit enunciation of choice and competition as policy goals for Australian schooling (Blackburn 1996). Years later, Michael Furtado of the University of Queensland argued that the decision to replace the ERI was based overwhelmingly on ideological factors (Furtado 2001: 165). Choice would later headline the name of the Commonwealth’s new policy for funding private schools - Choice and Equity - and be mentioned no less than six times in the first eight sentences of the ministerial statement announcing the policy (Kemp 1999b: 1). For Kemp, choice was the foundational idea behind the SES reforms:

So the SES model that we decided for the allocation of school funding had no relationship to that issue of the disadvantaged student. Its aim was to provide equity of choice to parents at different income levels. So it was much more an equality of opportunity policy than it was a policy to address educational disadvantage. And the two are sometimes confused, but it's important to make the distinction. (Kemp 2011)

The School Funding Consultation Report

With the policy problem now clearly defined, external validation for reform provided with the KPMG report, and the government’s philosophical approach clear, serious work began within the Commonwealth education department in 1997 on a new school funding package. The next stage of the policy making process was an extensive review into the operation of the ERI by the education department (now named DEETYA - the Department of Employment, Education, Training and Youth Affairs) and an investigation of alternative funding arrangements against a set of key criteria. Five alternative funding arrangements were explored, including the family income model suggested by the KPMG report, an ‘individual-based’ (voucher) model requested by Kemp, and an approach based on the composite socio-economic status of a schools’ student body.

The review’s objectives were to:

- Respond to concerns in the nongovernment [private] school community on the complexity, inflexibility and inequities of the ERI and its application;
- Examine how the government’s approach to funding nongovernment [private] schools measured up against key criteria;
- Develop approaches to funding that improve schooling quality and raising educational outcomes, and;
- Promote parental choice in schooling. (DEETYA 1997: 1)

The key criteria identified by the Commonwealth government for a new school funding system were equity, transparency, predictability, simplicity, flexibility and cost. Of these, the final report identified “transparency, predictability, simplicity and flexibility” as the most important criteria to guide the policy making process going forwards (DEETYA 1997:1). There had been extensive consultation with the private school sector and months of discussion in the ministerial office and department to define and refine each concept and its relative importance. Additional criteria were considered and rejected while others, such as choice and competition, were explicitly listed as objectives rather than a criteria. Clearly defining these terms - and in particular Kemp’s interpretation of them - was a critical first step because, as the public servant spearheading the process explained, words like choice, quality, and equity can mean different things to different people (Senior Commonwealth Public Servant (SCPS) 2011). This task was all the more important given Kemp’s philosophical beliefs about the role of the government in funding schools.

Another element of the preliminary work by the department was a conscious effort to put the reforms in historical context. SCPS (2011) remarked “we thought we really needed to understand the history of funding for nongovernment [private] schools [and] where it all stemmed from”. This work was performed by a team within the schools subsection of the department and enjoyed frequent contact with Kemp. Ministerial time was not shared equally among departmental subsections and thus indicates the importance the minister placed on these reforms.

The formal policy review process commenced February 1997, almost a year after the Coalition government’s election, with an invitation to stakeholders and interested individuals and entities to make written submissions addressing the review’s terms of reference by the end of March. Eighty-eight submissions were received, encompassing all the state government education systems, all the

Catholic systems, most of the other religious systems, parents' associations, and many individual schools, from the Kings School in Parramatta, Sydney, to the Speech and Hearing Centre for Deaf Children in Western Australia (DEETYA 1997: 97).

After detailed consideration of these submissions, a series of eight consultation workshops was held between April and June in all capital cities and many regional centres (DEETYA 1997: 1). These workshops were modelled on 'Town Hall Meetings' that SCPS had studied while participating in a course for senior public servants in the United States. They were based on the premise that by bringing all the key stakeholders into the same space where they would listen to each other's concerns and priorities, each stakeholder would each become more informed of other issues and perspectives, rather than being mostly limited to their own experiences and perceptions.

This was a revolutionary approach to the consultation of stakeholders in the school funding sphere at the Commonwealth level. The Commonwealth had never brought representatives of all the different education stakeholders together, and there was doubt whether bringing representatives of the Catholic systems, other Christian systems, Jewish schools, Montessori schools, public schools and independent schools into the one room would be successful (SCPS 2011). In a further effort to build support and consensus around the reform process, at every workshop representatives of each sector were split between different tables so that they were forced to talk with those from other sectors. Departmental officials would give a presentation that concluded with a series of discussion questions, which each table would then attempt to resolve collaboratively. This approach reportedly "opened the eyes of all the players to what the issues were for each of the different sections within the whole school community" (SCPS 2011).

Following these workshops a study tour was organised to the United States and to Canada in June, involving two senior DEETYA officials and representatives of the government, Catholic and independent school sectors. The choice of these two countries flowed on from departmental research that identified them as having school funding models of particular interest to the minister and steering committee. Some of these models, such as charter schools in the United States, were in their infancy and "getting some amazing results" (SCPS 2011). Other funding models, such as publicly-funded self-managing schools in the Canadian province of Alberta, were well established and had already served an inspiration to other Australian school systems, such as Victoria. Uniting these models was the fact they operated within a federal system of government (albeit with significantly different allocations of responsibilities, policy settlements and intergovernmental

institutions) and the apparent correlation between increased operating autonomy and improved school performance, particularly for those charter schools catering exclusively or predominantly to highly-disadvantaged students. Of these two uniting factors, the school choice and accountability element was identified by the Commonwealth as the most significant: “The study tour examined initiatives to promote choice and quality in education and funding mechanisms which would underpin [the Commonwealth government’s] policy objectives” (DEETYA 1997: 1). The study tour also concluded that choice and diversity were “essential foundations” for education systems, but must be “used in conjunction with consistent standards and accountability if they were to raise the quality of schooling for all students” (DEETYA 1997: 90).⁴⁷

When he commissioned this departmental review, Kemp expected “it would throw up a very strong critique” of the ERI system, and the idea that it should be replaced was “already in our minds” (Kemp 2011). However, the final decision to replace the ERI was not made until after the conclusion of this 1997 DEETYA review, and the replacement model not decided upon until a later simulation study by the department. This is a clear contrast with the policy making process employed in the Victorian case study, Schools of the Future. The DEETYA review did, however, solidify the view of the minister and key bureaucrats that the ERI was a deeply flawed model for allocating funding and merited replacement (Kemp 2011; SCPS 2011; Daniels 2011). Most damning was the conclusion of a poor correlation between a school’s resources and their ERI category.

Designing the SES model

The 1997 DEETYA report emphasized that the Commonwealth government was not committed to any particular model, but that one model had received greatest support from independent school sector. It was also the model that best met the key criteria. This was the SES model, which estimated the relative socio-economic disadvantage of a school’s student population using census data from the neighbourhoods where its students lived. This measure was thought to more accurately assess the educational needs of a school’s student population by taking into account a growing body of research since the 1970s on the correlation between socio-economic disadvantage and educational performance (DEETYA 1997: 77). To this was added findings from the National School English Literacy Survey, commissioned by the former Labor government, which convinced

⁴⁷ Improvements in initial teacher training, continuing professional development and greater autonomy for schools were also identified by the study tour as being of “key importance” (DEETYA 1997: 90).

Kemp that genuine needs of students were educational needs, rather than needs defined in socioeconomic terms, and further added to the appeal of the aspect of the SES as a new funding model.

The proposed SES model was still an indirect and thus not entirely accurate measure of schools' relative needs. However, it was less complex and seemingly less susceptible to political manipulation than the ERI. Another benefit, particularly from the perspective of the private schools and Kemp was that under the SES model, private income generated by a school was ignored and thus would not affect its Commonwealth funding level. This was because a schools SES score was an indication of the parents' capacity to support it through fees and other contributions. Thus, there would no longer be financial disincentives to schools for raising school fees above a certain threshold or for receiving generous donations. This SES model assuaged concerns of the private school sector on reliability, volatility and administrative difficulty of using assessments based on family incomes, as well protecting the privacy of families (DEETYA 1997: 3).

An SES funding system had been developed a decade earlier in Victoria by academic Dr Ken Ross from Deakin University and Victorian education bureaucrat Dr Stephen Farish. This index used socio-economic data collected from the census and weighed different data components differently to tailor the allocation of funds for different educational, policy or system needs. Variations of this index were already in use by some Catholic Education Offices, state governments and Block Grant Authorities (BGAs) to help determine funding allocations within their systems. For example, the South Australian government used a socio-economic index of disadvantage to distribute funding to private schools within its borders (DEETYA 1997: 78-79). Its adoption by other state governments and consideration at the Commonwealth level suggests the existence of horizontal policy learning and transfer.

Despite its widespread use at a subnational level, SES based systems had been repeatedly rejected in earlier Commonwealth government reviews and consultations because the census data was thought to be too unreliable, too unwieldy and too far removed from school students. However, since these earlier rejections, more sophisticated data collection and analysis instruments had been developed, such as the census collection district (CCD) and a question to parents of school aged children on whether their child went to a public, Catholic or independent school was now included in the census survey (DEETYA 1998: 5). Using this CCD data required an assumption that people living in the same neighbourhood had very similar socio-economic profiles, or in other words, that

the income of a family enrolling their child at a particular private school resembled the average income of other households in their local neighbourhood, which is not necessarily the case.

David Kemp had been aware of its prior application in Australia but had not known the details of particular schemes. His knowledge of the design features of SES based model emanated from the expert and technical information that became available to him when he became minister. However, he was aware that per capita funding for school students provided to schools was an alternative funding model, recalling an influential article by public choice education scholar E. G. West of Britain's Institute for Economic Affairs he had read years before his election who had described such models as "quasi voucher systems" (West 1968), and Kemp subsequently described the SES model as a variant of a "quasi-voucher system" (Kemp 2011).

At Kemp's request, a pure voucher model was also assessed against the key criteria established earlier by himself and the department. It was found to be impractical and inequitable. If all students received a voucher of the same value, as was proposed, it would result in a huge increase in the public subsidies to parents that were already voluntarily paying significant school fees. This would have exposed the government to the criticism that it was diverting taxpayer funds to the wealthy. Kemp recounts "We decided in the end you would need to have a funding system that was, in some sense, needs-based and that led to that feature of the SES model" (Kemp 2011).

Simulation and validation study

When it became clear that of all the alternatives considered the SES model best met the government's carefully considered criteria for a new funding system and that this same model was also preferred by the private school sector, the policy development process entered the next stage, a nation-wide simulation of its effects which would also serve as a validation study.

This study was conducted by the department with guidance from an eight-person steering committee consisting of representatives from peak national private school bodies from various states, and chaired by the senior public servant responsible for private funding (SCPS), with assistance from a dedicated secretariat. A reference group was also established, comprising of representatives from peak national and state bodies for private school systems, as well as parents and teachers unions from the private school sector. The steering committee was assisted in its task by two consultancies, one with Stephen Farish (also a steering committee member), who helped

develop a code and index for the Commonwealth's SES model, and MapInfo Australia who undertook the geocoding aspect of the project (DETYA 1998: vii-vi).

The study commenced in January 1998, when an invitation was sent to private school authorities inviting them to participate. It concluded in November that year, with results presented to representatives of the private schooling community (DETYA 1998: vii). In the interim period, the steering committee met six times to develop the methodology, the research process, the construction of the index and so on (SCPS 2011 and DETYA 1998).

The simulation project was a large and complex task involving the collection and analysis of data provided by 90 per cent of Australia's private schools. 2262 of Australia's 2519 private schools voluntarily participated by providing the addresses of all their students - 888,000 in total (DETYA 1998: 6). Great efforts were made to ensure confidentiality of this address data, and to reassure schools of this confidentiality (DETYA 1998: 6). This very high participation rate from schools in all private sectors provided an excellent statistical basis for analysis and facilitated a predictive assessment of the outcome of SES model as it was originally developed. That is, funding was allocated based on SES scores alone and without the "funding-maintained" provisions that were later introduced following the cabinet process.

Student address data was collected without names, then geocoded and matched with their CCD using data from the most recent census by the Australian Bureau of Statistics, 1996. Each school community was then defined in terms of the CCDs from which it drew its students and SES scores calculated as a weighted average of the chosen dimension scores for the school's CCDs. The team investigated using many different sets of census data (dimensions), such as education level, household income, rurality, indigeneity and family stability from each CCD. These dimensions were then combined and weighted in different ways in an attempt to develop the most accurate assessment of relative need. After much deliberation, three dimensions were chosen: household income, household education level and household occupations, which were then analysed using a principal components analysis. To check their reliability, SES scores were also compared against other socio-economic measures, such as the Longitudinal Survey of Australian Youth and means-testing data collected by the states and the Commonwealth for education and youth allowances. A clear correlation was found between these other measures and the SES scores (DETYA 1998).

All private schools except Catholic systemic schools were assessed on the basis of the composite socio-economic status of their school community and assigned an SES score. A score of 100 was taken as the average, with scores ranging from 70 to 140. The higher a school's SES score, the higher its community's SES profile was estimated to be. As was the case under the ERI, schools were then ranked according to their score and thus their estimated relative need. Schools with scores of 85 or below received the highest level of funding (70 per cent of the AGSRC), while those with scores of 130 or above received the lowest level of funding (13.7 per cent of the AGSRC, referred to as the "basic entitlement") (Wilkinson et al. 2007:63). Each point on the SES scale represented a particular funding level, and each point differed about \$55 for primary students and \$75 for secondary students (DETYA 1998). Tethering funding allocations to a different measure such as the consumer price index was briefly considered by the team but dismissed when it was evident the AGSRC was more suitable (SCPS 2011; DETYA 1998). The most recent AGSRC figures at the time (1996 – 1997) were used to develop the model.

The simulation study suggested there were a number of other distinct advantages of the SES model in addition to the correlation between SES score and other measures of socio-economic disadvantage, and the link between this and educational needs. The first was the continuum nature of the funding index. Changes in SES index for each CCD between each census were minimal in most geographic areas, and it was expected that any changes in schools' SES scores resulting from changes in the composition of the schooling body or the CCDs in which they lived would likewise be minimal and result in a school's funding level moving up or down by only small amounts (DETYA 1998; Daniels 2011; Kemp 2011). In contrast, there were large funding differences between ERI categories and moving between categories was difficult.

Unlike the ERI model, the SES system ignored a school's private revenue when calculating its relative financial need. Private investment in private schooling - including increases in tuition fees - was no longer discouraged, which Kemp considered a major boon. Announcing the SES model in May 1999, he stated "new funding arrangements for private schools will remove the current disincentives to school communities to maximise their investment in their own school" (Kemp 1999b: 1).

Most importantly, the SES model as simulated was robust and appeared to meet the government's key criteria for a new funding system. It was fully transparent (anyone could see that data and it could not be manipulated), it was flexible (allowing schools to raise revenue if needed without

financial penalty), it was stable (with funding amounts only changing incrementally, if at all), and it was predictable. In the simulated form the SES delivered funding amongst private schools on a largely equitable basis of relative socio-economic and educational disadvantage. Whether it met the cost criteria depended not only on the dollar amount attached to each point of the SES index - which was yet to be determined - but also any modifications, transitional or permanent, subsequently made by cabinet, by parliament or in the implementation process.

Up until this point in the reform process, Kemp reported “a great deal of freedom in the development of the policy” and “complete autonomy as the responsible minister” (Kemp 2011). This view was endorsed by others closely involved in the reform development: Bill Daniels (head of the schools division in the Commonwealth education department and later Director of ICSEA), the Senior Commonwealth Public Servant in the school resources branch, Chris Evans (a senior Commonwealth public servant in the education department’s intergovernmental branch) and John Roskam, whom Kemp had recruited from the Victoria education minister’s office to become his Chief of Staff. Once the policy had been chosen, developed, refined and validated by the simulation study, cabinet approval was needed before the reform process could continue. The fact that this policy went to cabinet indicates the policy’s significance (degree of difference from existing funding arrangements), its expense, and its potential for controversy. This is because under cabinet guidelines, ministers should wherever possible “consider seriously the option of settling a matter by correspondence, particularly where it is likely that all interested ministers are in agreement” to reduce the volume of business before cabinet (DPMC 1998).

Cabinet decision and amendments

The proposed SES model was first taken to cabinet late 1998, shortly before the simulation and validation study had publicly reported its findings. It would return to cabinet many times, sometimes weekly, where it was the subject of “robust discussion” and “significant and frank debate” (Kemp 2011). The final decision wasn’t reached until March 1999. Of course, private and frank discussions between government ministers of policy alternatives are one of the *raison d’être* of the institution of cabinet, with such discussion considered essential if government is to reach the best decisions.

The SES model finally agreed upon by cabinet differed significantly from the original model that had been simulated by the department on 90 per cent of private schools. The model adopted by the

federal cabinet strayed from the key criteria of equity, cost and, to a degree, transparency and predictability. Reflecting on these debates in 2011, Kemp reported that the cabinet ultimately agreed to the view that the new policy should be implemented in a way which would not create any “financial losers”. But the SES model would have resulted in reductions of Commonwealth funding to those private schools whose SES scores indicated a lower financial and educational need (and higher resource capacity of their school community) relative to other private schools and who had been over-funded under the inaccurate ERI model. Under existing arrangements, a “funding guarantee” was applied to private schools that were re-categorised to a lower ERI funding model, in which they would receive their previous (higher) funding allocation until inflation brought it into line with their new (lower) funding amount.

The Howard cabinet replaced these “funding guarantee” arrangements with new “funding maintained” arrangements, whereby schools that would have had their funding reduced under a strict application of the SES model would instead have their existing funding allocations indexed and maintained in real terms indefinitely. Such generosity was unprecedented and unexpected by bureaucrats and by those in the private school sector (Daniels 2011; SCPS 2011).

Strict cabinet confidentiality prevented research interviewees from commenting on the reasons for the decision to skew the SES model with the attachment of funding maintained provisions. Kemp stated repeatedly that it was “the job of ministers in a system of collective responsibility to support cabinet decisions” (2011). Cabinet handbooks stipulate that cabinet ministers must publicly support all decisions taken in cabinet, even where such views were counter to their personal views or the positions they advanced during the meeting. A cabinet minister who cannot accept collective responsibility should resign. Cabinet confidentiality and collective responsibility were taken very seriously by Howard who emphasised of these principles in the revised ministerial guidelines during his tenure as prime minister (DPMC 1998). The fact the SES model was presented to cabinet many times suggests insufficient support for the original model and considerable disagreement on alternative forms the policy should take.

Examination of similar decisions in other portfolios and leaks reported in the media suggest the changes to the proposed funding model were driven by political, ideological and electoral concerns. Cabinet submissions are expected to clearly identify any potential beneficiaries or losers of a proposed policy. Cabinet members had not wanted to upset schools or parents in their electorate with a decision that would see some schools lose funding - most of the schools that would have lost

funding under the new model were located in the electorates of cabinet members. The Coalition government was likely still smarting from a very narrow election victory on October 3 1998 in which they failed to win a majority of the popular vote and were perceived by large sections of the nation as out of touch with daily concerns evidenced by the growing popularity of new independent MP Pauline Hanson. Wayne Errington and Peter van Onselen (2007: 39, 251) suggest that increased funding for private schools was a political tactic and a calculated ploy to woo and retain the votes of 'Howard battlers', aspirational voters and Catholics. The decision could have also been driven by personal and ideological attachments of a majority of cabinet members, many of who were educated in private schools and almost all of whom sent their children to private schools, or the by prime minister himself, who had espoused the virtues of school choice in his maiden speech to parliament (Howard 1974). Finally, there was a belief within conservative circles, including the cabinet, that private schooling was an ideal type; that maintaining real levels of public funding would boost the resources and attraction of private schooling as an achievable 'aspiration' for families and increase the overall proportion of Australian students enrolled in the sector, with the ensuing competition for students driving an overall improvement in educational outcomes.

Catherine Althaus, Peter Bridgman and Glyn Davis (2012: 154-167) write that "the political dimensions to cabinet decision making should not be underestimated". Cabinet must assess the political risks and benefits associated with pursuit or non-pursuit of policy options, and take into account the political environment and political stringencies as much as they do any technical criteria. This involves balancing "political consequences, policy objectives, administrative convenience, media attractiveness and their own place in history". It is plausible that Howard and his ministers did not want to leave a legacy of reduced Commonwealth funding to many private schools (even if those losing funding were the most elite and well-resourced private schools in the country), but rather a legacy of generous increases to all private schools in line with their personal and ideological convictions.

Policy announcement

The final, official policy, *Choice and Equity: Funding Arrangements for Non-Government Schools 2001-2004*, was announced by the Howard government on 11 May 1999 as part of the federal budget. In his announcement, David Kemp outlined the policy making and consultation process - emphasising the flaws of the ERI model, the successful simulation of the SES model and its

demonstrated simplicity, flexibility, transparency. Kemp also outlined the implementation process, promising that no school would be disadvantaged under the new funding system because the Commonwealth would maintain its funding in real terms. Different arrangements applied for independent private schools compared to those belonging to a system, as had also been the case under the ERI model (Kemp 1999b). Non-Catholic school systems would be funded on the basis of the aggregate entitlement of their individual member schools (who were individually assessed and scored), with the system then responsible distributing to each school. Individual private schools and would be funded according to their individual SES scores. Private schools within systems which would have been financially disadvantaged by moving to SES-based funding would have their 2000 per capita funding entitlement maintained in real terms in the same way as individual independent schools. This funding would continue to be delivered in a block to each system authority on the expectation they would continue to allocate it within their system as they felt was most appropriate (Kemp 1999b: 6).

Despite embracing the simulation exercise with a 100 per cent participation rate, the Catholic education commissions initially refused to adopt the SES system, and separate arrangements were applied to their school systems. Following the announcement of the SES model, a temporary agreement was forged between Kemp, DETYA and Catholic authorities about block funding for their systemic schools in the 2001 – 2004 quadrennium. For 2001-2004, Catholic schools would receive funding that effectively preserved in real terms the per capita equivalent of their funding categories in the year 2000 (Kemp 1999b: 5). All Catholic systems, except those in WA and ACT, had been recategorised to the more generous category 11 in 1998 (the WA Catholic system had been funded at category 11 since 1985). This translated to a ‘deemed SES’ score of 96, with funding delivered to system authorities (via tied grants to state treasuries), who would then distribute the funding according to their system’s needs and priorities (Kemp 1999b: 5-6).

Reports issued by the New South Wales Catholic Education Commission (2006) stating that their schools were only being given deemed and not real SES scores led to Wilkinson et al. (2007: 162) suggesting that Catholic authorities did not want their schools considered part of the new funding system. Lobbyists for the Catholic systems including Monsignor Tom Doyle, Dr Peter Tannock and Dr Brian Croke made clear their philosophical preference for their systems to continue to be

treated separately from other private schools, as had been the case historically.⁴⁸ Furthermore, the National Catholic Education Commission argued that the allocation of funds based entirely on SES scores would be unfair as it would ignore the past and current resource discrepancies between schools, particularly between parochial Catholic schools and elite independent schools (Wilkinson et al. 2007: 161).

The Legislative Framework

The legislative framework for the SES model was contained in two pieces of legislation.⁴⁹ The first of these was the *States Grants (Primary and Secondary Education Assistance) Amendment Bill 1999*, introduced to the House of Representatives on 30 June 1999. It gave effect to the initiatives announced in the context of the 1999 – 2000 federal budget; that is the abolition of the ERI model, its replacement with the SES, separate funding increases for (private) schools, and other initiatives. The substantive legislative framework for the new funding system was provided by *States Grants (Primary and Secondary Education Assistance) Act 2000*, which was introduced on 29 June and succeeded the *States Grants (Primary and Secondary Education Assistance) Act 1996*. The bill passed parliament easily, in part because of its inclusion in a money bill as part of the federal budget. In retrospect, this was unnecessary as the federal Labor Party supported the bill, despite voicing reservations about the funding for very elite private schools and critiquing the Coalition's treatment of public schools, whose funding was also provided for under this same piece of legislation. Federal Parliamentary Labor Leader Kim Beazley stated in his budget reply speech that the ALP "did not have a problem with more funding for private schools" but it did object to what it considered special treatment for private schools at the expense of those in public schools. Beazley went on to lecture the Howard government that the Labor Party believes "a national government has a responsibility to all schools, not just some" (Beazley 1999). The Australian Democrats criticised the SES policy along similar lines and said the policy should take into account a school's private revenue (*Canberra Times* 23 August 2000). But despite this opposition, the legislation still passed, partly due to the support of the independent, socially-conservative Tasmanian senator Brian Harradine, who supported the Howard government's school choice policies (Howard 2010).

⁴⁸ A policy had been in place since the 1972 federal election campaign, in which "Catholic authorities would allocate government funds to systemic schools based on their needs as assessed by an examination of the resources available in each school" (Wilkinson et al. 2007: 161).

⁴⁹ Not including revisions in the 2004 Act following review.

The critiques of the Labor Party, Australian Democrats and the Australian Education Union struck a nerve and the Coalition government went to great effort to try to convince the public that it was not giving special treatment to private schools or discriminating against public schools. In Question Time in parliament, and in a letter to parents across Australia, Kemp directed attention to the fact that the 1999 federal budget provided an additional \$243 million for public schools students, including new programs for literacy and numeracy, and a further \$155 million for indigenous education programs. The Howard government also directed attention to the fact that the 1999 budget provided a 3 per cent increase in untied grants to the states, “which they can use to further increase funding for government schools” and to the government’s new tax system, the GST, which would “also deliver to the States significant increases which can allow for more funds to be directed for government schools on top of the increases already announced” (Kemp 1999c). This letter to parents concluded that:

Any suggestions that the federal government is putting additional resources into the non-government school sector at the expense of government schools or has neglected its responsibilities to government schools are therefore quite untrue. (Kemp 1999c)

Analysis from Commonwealth Department of Treasury and the Kemp’s own department contradict this claim by the minister. Budget paper Number 3 1999-2000 indicates an erosion of Commonwealth funding for public schools and increase in Commonwealth funding for private schools under the Howard government over the forward estimates (Australian Government 1999:10). DETYA similarly revealed in August 2000 that the percentage share of Commonwealth expenditure on public schools would decline from 43 per cent in 1996 to 35 per cent in 2004 (DETYA 2000).

Implementation, Operation and Critique

The SES model replaced the ERI model at the beginning of the 2001-2004 quadrennium (in January 2001) for all private schools except Catholic systemic schools. Private schools provided the residential addresses of all their students to the department in the early months of 2000, which were then geocoded to derive their SES score. Schools and systems that would receive increased funding under the new system had it phased in over the quadrennium at a rate of 25 per cent each year, so that by 2004 they would be funded at their new level. This transitional arrangement, as well as the funding maintained provisions, sought to minimise disruption to school budgets.

Implementation of the SES model was “a highly political process” (Kemp 2011). The new funding system came under increasing attack as the 2001 school year approached. Both the model and its implementation by the Howard government were critiqued. By ignoring a school’s private revenue, including fees, donations and assets, the SES model was said to exacerbate existing inequalities between schools. In some cases, the SES formula significantly increased the Commonwealth funding to elite, high-fee private schools. The formula also delivered larger funding increases to the schools in the top third of the SES scale (the most advantaged schools) than it did to schools in the bottom third (Watson 2003). This was despite Kemp stating in his policy announcement that funding to private schools serving the neediest communities should be significantly increased with further financial benefits to those that “extend their services to lower income communities” (Kemp 1999b: 2).

A study by Louise Watson found that a former ERI Category 3 school with an SES of 119 would have received a 25 per cent increase in Commonwealth funding under the new scheme, while a former Category 12 school with an SES of 63 (i.e. serving a much lower socio-economic community) would have only received a 12 per cent increase (Watson 2003: 7). She argued that these problems resulted from Commonwealth government policy decisions and the dollar amounts the government attached to each point of the SES scale – rather than the SES index for ranking schools which was based on apparent, relative need. In other words, it was political decisions about the allocation of funding that resulted in the significant increase in Commonwealth funding to the private school sector following the model’s implementation, rather than features inherent in the SES model (Watson 2003: 7).

The SES system was also widely attacked for favouring the private school sector over the public school sector, which catered disproportionately to disadvantaged families. The Australian Council of State School Organisations stated the new formula disadvantaged public schools (ACSSO 2004), and the Australian Labor Party and Australian Education Union (representing teachers in public schools) both claimed the Howard government in introducing this particular scheme in this particular was favouring the private sector over the government sector, a claim substantiated by the figures provided by the Commonwealth’s education department in Senate Estimates and in government budget papers (Department of the Parliamentary Library 2000). Schools were now able to raise private income without penalty. Unsurprisingly, this favoured the most expensive

private schools whose families generally had greater capacity to pay higher fees and usually also attracted greater income than other schools from investments and bequests.

The 'funding maintained' provisions added to the SES model by the Howard government cabinet were another source of contention. Kemp had promised when announcing the policy change in 1999 that no school would be financially disadvantaged by the move to the new funding system because the government would maintain the funds in provided in real terms, adjusted for inflation, so that they would receive the same proportion of the AGSRC as they had under the ERI for an indefinite period (Kemp 1999b: 5). This was a significant change from previous 'funding guarantee' arrangements for schools moving to a lower funding category attracting political and academic criticism. Louise Watson described the decision as "excessively generous" (2003: 15) and Bill Daniels referred to it as "unusual" (Daniels 2011). The Howard government defended its decision saying it provided funding certainty to schools. Initially, 240 private schools were in the 'funding maintained' category. However, when these schools were combined with Catholic systemic schools, which continued to receive block funding based on a 'deemed' SES score equivalent to their 2000 funding levels in real terms, it became evident that more than half of all private schools were not being funded at the level of their SES score during the 2001-2004 quadrennium (SEWREC 2004: 22, cited in Wilkinson et al 2007: 164-66)). In the Australian Capital Territory, only one private school was being funded according to its SES-assigned ranking (Wilkinson et al. 2007: 165). Over a decade later, in 2012, only 60 per cent of private schools received Commonwealth funding based on their SES score (Harrington 2013: 11).

Catholic systemic schools join the system

It wasn't until 20 February 2004 that the Catholic education authorities finally signed up to the SES system. Negotiations had dragged on for years, continuing under Brendan Nelson who replaced Kemp as education minister in 2001. It was a lavish deal for the Catholic school systems. They had already been receiving generous 'block' funding based on a 'deemed' SES score. Now, they would receive a 37 per cent increase in funding from the 2001-2004 quadrennium (Howard 2004). This special arrangement led to accusations that the Catholic systems schools were receiving differential treatment to their advantage. Nelson explained in a 2006 interview that as part of the negotiations, the Commonwealth government agreed to implement a review of the SES model with particular attention to its application to school systems and 'funding maintained' schools and how they might

be brought into a full SES model (Wilkinson et al. 2007: 169). It was a position shared by his predecessor. Speaking in retrospect, Kemp (2011) stated:

I was never a supporter of systemic funding anyway... my attitude to systemic funding was that systemic funding should be no more than SES funding ... and my preference was that it should be distributed by the systems amongst their schools according to their SES scores.

Catholic schools secured a funding package independent of the SES model, and even “completely outside the context of the official review process”, through intense and successful lobbying efforts by the National Catholic Education Commission (NCEC) and Catholic bishops (Furtado 2001: 167). Given Catholic systemic schools comprised roughly two thirds of the private school sector throughout this period, it is important to consider why there was such exceptional treatment. Peter Tannock (then NCEC Chair) said this exceptional treatment was due to size and identity of the Catholic sector (Furtado 2011: 170). But it remains that if Catholic schools were funded independently of their systems, few of them would have gained additional Commonwealth funding, and many Catholic schools would have seen their Commonwealth funding allocations decrease. Kemp suggested he thought that the major reason for Catholic’s reticence to join the SES system was because the Catholic school systems varied in their funding approaches from state to state and wanted to retain authority to determine needs and funding allocations within their systems, and the SES would have imposed a uniform funding model (Kemp 2011). Yet examination of the policy documents demonstrate that Catholic systems, like other systems, would have retained the authority to redistribute this block funding as they saw fit.

Political journalists reported that private assurances were made at a parliamentary dinner by Australian Catholic Bishops lobbying the prime minister on school funding that in return for a favourable funding outcome the bishops would “muzzle the voice of the Church on social justice issues” (Furtado 2001: 169). Other journalists have stated that Howard seemed to go to an extraordinary extent “to wrest the Catholics away from their traditional support of the ALP in order to relocate them as a natural component of Australia’s politically conservative Coalition constituency” (Van Onselen and Errington 2007). This appears to have had moderate success, with psephologists in 1996 noting for the first time the tendency for the Catholic vote to be dispersed among all parties, and that Howard had more Catholics in his cabinet than any previous Coalition government.

Evaluating the policy making models against this Commonwealth case study

The Australian Policy Cycle was an apt tool for explaining and understanding the development and implementation of the Commonwealth's new funding mechanism for private schools, the socio-economic status model. Not only was it useful from a research perspective in hindsight, it also explicitly guided the key policy makers in their work. Without prompting, the Senior Commonwealth Public Servant leading the reform process said "We followed a pure policy development model" (SCPS 2011). This view was also provided independently and without suggestion by Kemp, who said that policy making in this case was "strictly sequential". He then elaborated:

I certainly had the view that identifying a problem and highlighting the characteristics of the problem was an important element in making the political case for reform. If there's no problem, it's very hard to justify changing the situation. (Kemp 2011)

Each stage or element of the cycle occurred in broadly the sequence outlined by Bridgman and Davis: issue identification, policy analysis, policy instruments, consultation, coordination, decision and implementation and evaluation.

We have seen the issue identification was present before the Coalition was elected to Commonwealth government, with the issues more deeply explored and refined with the 1996 KPMG report and the 1997 Departmental Review. Kemp emphasised that the decision to replace the ERI with a new model was only made after departmental review and gathering of a robust evidence base demonstrating its many problems and inadequacies. Only when a "problem itself is fully exposed and studied" can "a case be made for change" (Kemp 2011).

This issue identification overlapped with policy analysis and was strongly informed by extensive consultation with key stakeholders – understood by the minister, his advisers, and departmental officials as the peak bodies of the private school sectors. These included the National and State Catholic Education Commissions, the Australian Parents' Council, the Christian Schools Association, the Association of Heads of Independent Schools, the National Council of Independent Schools Associations (ISCA) and their various state bodies (Kemp 2011; Daniels 2011; Roskam 2011; SCPS 2011). State governments and representatives of the systems and parents were not considered key stakeholders, but did participate to a limited degree in the consultation processes including the Town Hall meetings and written submissions.

Only after this analysis was the new funding mechanism, the SES model, selected for further analysis and simulation to test its suitability against the criteria established by the department in consultation with the stakeholders above. Furthermore, it was only after this simulation study had been completed that the policy was prepared for presentation to cabinet. Limited coordination was undertaken beyond the necessary communications with Treasury and the Department of Prime Minister and cabinet before, during and after the cabinet decision process. Coordination with the states on this reform was likewise minimal, an important point which will be explored further in the following chapter.

Cabinet was pivot point in the policy making process. As a result of the cabinet process, the sophisticated and evidence-based SES formula, the product of rigorous research and extensive consultation, was twisted into a perverse form to suit political goals and ideological preferences, which took a higher priority than the principles of efficiency, effectiveness, fairness and clarity that had guided the policy development process until that point.

Despite a different policy emerging from cabinet, a policy in which funding for about half of all private schools was decoupled from their SES score, the policy process continued to accord the Australian Policy Cycle. Political and administrative implementation processes began immediately after the policy announcement in May and continued concurrently over eight years. On the administrative side, schools and school systems were provided with more details on the new scheme and implementation timetables and were asked to furnish the Commonwealth education department with updated data reflecting their current student body, which would determine their Commonwealth funding allocations for the next four years. This new funding mechanism was then introduced simultaneously to all private schools that were not within Catholic school systems beginning in January 2000 (almost 4 years after the Coalition's election and commencement of the policy making process), with any funding increases phased in over the four year funding period. This is in stark contrast to the Victorian reforms, where schools converted to the self-managing models in one of four tranches, rather than all at once, but where the reforms had been implemented to the extent that 99.05 per cent of Victoria's public schools were funded and operating under the new model less than three years after the Coalition had been elected to form Victorian government.

The political implementation process mostly consisted of attempts to "sell" the revised policy, particularly to the many, loud voices opposed. As in the Policy Cycle model, evaluation followed

implementation. The SES model was reviewed in the third year of the first quadrennium; that is three years after the new model was introduced and seven years after the Howard government commenced the policy development process. This, again, is in stark contrast to the constant evaluation of the Victorian reforms through regular consultations, annual testing of students and annual staff and principal surveys through the Cooperative Research Project.

While the Australian Policy Cycle offers a useful descriptive tool for researchers and a useful guide for policy makers, it did not result in improved policy. The political decision made in cabinet meant that the model which had been systematically developed was never fully implemented. Accordingly, the evaluation process found that inequities within the private school sector and between the private school and public school sectors had risen despite the significant increases in Commonwealth funding. This was because the most well-resourced and least needy schools (which would have had their funding cut had the SES model been strictly applied) received unnecessarily high funding while also being allowed to raise their fees without government penalty, while the neediest schools received the smallest funding boost and did not have the same capacity to raise their own revenue from fees and donations.

Kingdon's 'Streams and Windows'

John Kingdon's model of agenda setting and reform complements this APC model to offer a useful analytical framework for exploring the potential reasons for this poor policy decision to not adapt the model as it had been developed and simulated. While there was initiation (unsettling conditions or series of events that provokes dissatisfaction with the status quo and disposition towards policy action), it was not present to the same degree as in Victoria, where there was a simultaneous 'crisis in education' and state financial crisis. Secondly, there was no alignment of problem, policy and politics streams, with a majority in cabinet judging the policy 'solution' (fair and transparent needs-based funding for private schools) as a bigger 'problem' than the situation it sought to change (the inconsistent ERI funding model that could be politically manipulated). While Kemp could be viewed as a policy entrepreneur, the countervailing factors meant the policy window never fully opened and he was unable to push the model through to become government policy in the way it had been designed. He could not overcome the alignment of powerful political factors and personal convictions of cabinet members against it. This reinforces the usefulness of viewing policy outcomes as the constellation of political actors (including institutions) and

opportunities (including these streams) rather than simply the final outcome of an administrative process. This is particularly important for policy reforms in federal systems.

Conclusion

This chapter has traced the development of the Commonwealth's new policy for funding private schools from genesis to implementation. It was found to closely adhere to the Australian Policy Cycle, which was a useful descriptive and analytical tool. However, despite the policymakers' adherence to this 'best practice' model, their undertaking of robust problematisation, comprehensive research and analysis of existing and alternative policies over the course of several years, and their development of a policy meeting all the criteria, it was not enough to withstand countervailing political processes and pressures for which Kingdon's model provided a useful conceptual lens. This ultimately resulted in a suboptimal policy decision by cabinet (if measured against policy criteria). The evidence from this case accords with the arguments of the developers of both models. Even the best policy processes and appropriate sequencing can result in poor policies. Even a policy that measures very favourably against compelling criteria such as efficiency (including cost and administrative difficulty), effectiveness, transparency and equity, and even when championed by a capable policy actor and voice in cabinet, will not necessarily be adopted as government policy. These are significant findings, and underline the value of these two models, used in a complementary fashion, to understand policy making at the Commonwealth level of government.

The political perception of responsibility in schooling (whereby the Commonwealth saw its key role as supporting private schools while the states had responsibility for providing public schooling, discussed in the next chapter) combined with the Coalition government's ideological and personal attachments to private schools, and vertical fiscal imbalance in their favour combined in a decision to provide funding to private schools well in excess of their need and counter to their own research and modeling. This original research thus provides some evidence to support Dugold Monro's hypothesis that inappropriate allocation of responsibilities can result in provision unrelated to need (2001: 39). The evidence gathered in this Commonwealth case study also lends additional weight to one of my central arguments, developed from the rational actor theorem, Hollander and Patapan's 'pragmatic federalism' model and Kingdon's model: that in a federal system, each

government and the key actors within it acts foremost in pursuit of their own immediate policy and political goals and preferences, rather than federal principles such as subsidiarity.

Our lens in this chapter focused on the Commonwealth alone. This is where policy analyses are usually focused – at a single level of government. Reading this study and speaking with the policy actors one could be forgiven for thinking it was entirely unilateral and pursued in a unitary system of government. But this reform did not happen in a vacuum. It was developed and implemented in the dynamic context of Australia’s federal system of government. For a comprehensive understanding of how federalism shaped the Choice and Equity reforms and concurrent Commonwealth initiatives in schooling, we must now examine in intergovernmental context.

CHAPTER 7: FEDERALISM AND THE COMMONWEALTH CASE STUDY

This chapter analyses the ways in which Australian federalism facilitated, hindered or otherwise influenced the development, implementation and outcomes of the Commonwealth's Choice and Equity reforms and associated public school funding reforms. It finds that although the Commonwealth education minister and department took a unilateral approach, considering the state governments as tangential to its school funding reforms and an obstacle to be overcome for its other education initiatives, both sets of reforms were influenced by the political division and perception of responsibilities, by the Australian Constitution, by the broader fiscal settlement, and by the policy decisions of the states. It further finds that intergovernmental relations in the schooling portfolio took a variety of forms over this reform period, even within a single meeting, with cooperation usually determined by the alignment of actors' interests and by power balances with respect to fiscal and constitutional strength.

This chapter begins with an exploration of Commonwealth policy makers' perceptions of their roles and responsibilities for schools *vis-a-vis* the states. This provides a foundation for the next section of the chapter, which examines the direct and indirect influence of federalism on the policy making processes. To assist in this task, I will apply Bridgman and Davis' Australian Policy Cycle to facilitate this intergovernmental analysis. Next, the chapter will discuss the SES funding reform in its greater intergovernmental and policy context, alongside the other major reforms and initiatives occurring in the school funding sphere in this same period: the Enrolment Benchmark Adjustment (EBA), the more prescriptive and punitive conditions attached to the Commonwealth's tied grants for schooling, and the Adelaide Declaration of National Goals to Schooling. These other initiatives provide further evidence for my central argument that intergovernmental relations are complex, multi-faceted and dynamic, taking multiple forms in a single space of time, which render dominant models of federalism and intergovernmental relations inadequate. This chapter will therefore provide additional evidence in support of my secondary argument that a more sophisticated appreciation of federal systems and their possibilities is required.

Perceptions of policy responsibilities

Underpinning the actions of the Commonwealth and the reactions of the state governments are their perceptions of their roles and responsibilities for schooling policy where both levels of government develop policies and provide funding. This is a necessary precursor to an examination of federalism's influence on policy making processes because it is largely predictive of a minister's actions and the degree of intergovernmental collaboration sought and achieved.

Kemp saw schooling as a joint responsibility of the states and the Commonwealth. In his view, the latter had "come into a role in schooling in order to facilitate school choice", emanating from the Menzies government's "abolition of sectarian policies and desire to improve quality of schooling in all sectors when state governments couldn't meet those needs across the country". Kemp conceived the Commonwealth's primary roles as "supporting reform in both public and private schooling sectors" and "setting national directions and priorities", in which the Commonwealth played a strategic role as "part of its responsibility to provide a national framework". This responsibility was:

Related to the significance of education for Australian democracy, and Australia's economic wellbeing, and the economic opportunities for people, and securing equal opportunity for Australians to support the classless society that the Liberals have wanted to build in Australia.
(Kemp 2011)

The view that the Commonwealth has a responsibility for education and should provide leadership and set national goals was shared by all Commonwealth education ministers from the 1960s, regardless of their political party. To this common perspective of the federal division of responsibilities, Kemp added a particular interest in strengthening school choice and accountability mechanisms, which in his view both reinforced the National Goals for Schooling (the 'Adelaide Declaration', discussed later in this chapter) and ultimately drove educational improvement.

I saw it as important to improve the accountability of schools and school systems for their performance, and so that if they were receiving public money, one would know whether or not they were actually teaching students to read and write and achieving the other goals of the national framework ... We moved Australian schooling towards objectives which were in the national interest, which was greater accountability and greater equity both in funding and in outcomes. (Kemp 2011)

The Commonwealth's secondary role flowed from the constitutional division of responsibilities that makes the states responsible for schooling and the historical pattern of Commonwealth grants initiated by Menzies to provide supplementary funding with an increasing emphasis on private schools. This role had become politically entrenched before the Howard government won office, but was embraced by the Liberal-National Coalition government as a mechanism for increasing school choice available to parents through greater subsidies to the private sector and greater tools for comparing schools within and between sectors.

It was obvious that Australian schooling in the government sector was heavily bureaucratically controlled and heavily centralized, and that students were being disadvantaged by this and by the weakness of parental voices in school choice. And while there was a limit to what the Commonwealth could do in relation to government schooling, the Commonwealth had significant opportunities to lift the quality of non-government schooling by expanding school choice. (Kemp 2011)

Recognition that the states and territory governments had primary responsibility for schooling - establishing and running schools, teacher and school registration systems and so on - was one factor identified by Kemp as contributing to the Commonwealth government's strategic and leadership role. The Commonwealth's distance from these education stakeholders enabled it to pursue policy agendas that were more aligned with the interests of parents rather than those of teachers or government officials. Here we see one of the ways in which Australian federalism indirectly influences the Australian school funding policy settlement and the scope of actions open to governments at the Commonwealth versus state levels.

In the federal system, each government has its own quite different relationship to the major interests that influence policy and that can actually lead to different policy response by the governments and the literacy area is actually an excellent example of that because state governments have to directly manage the interests of the education systems themselves, the education bureaucracies, and the education unions, and the teachers. Whereas the federal government does not have to manage any of those. The federal government's relationship to those interests is therefore much more tenuous but it has an equally strong relationship to the people and that is one reason why the federal government is able to articulate broader national interests in an area less constrained by the pressures of having to manage particular interests. But of course that wouldn't necessarily be the case in other areas of policy. (Kemp 2011)

The state governments at this time appear to share Kemp's conception of the division of responsibilities. Analysis of media articles finds almost no published comment by them on the SES reforms changing how the Commonwealth funded private schools. There is, however, a significant amount of state commentary and critique of Commonwealth initiatives affecting public schools, such as the Enrolment Benchmark Adjustment (EBA), literacy reforms or the extensions to accountability provisions attached to the tied grants for schooling.

This perception of the division of responsibilities was also shared by public servants in the Commonwealth education department. In the words of the SCPS (2011) "it was pretty clear cut" that the state governments retained primary responsibility for schooling and for public schools while the Commonwealth had primary responsibility for providing funding for nongovernment schools, as had been the case since the 1960s. This perception was echoed in interviews with other senior Commonwealth public servants present in the Commonwealth department of education.

But while this division of responsibilities facilitated the Choice and Equity reforms, it proved a hindrance when the Commonwealth sought to drive reform through the public school sector. Indeed, Kemp would later describe this as "the most difficult issue for the Commonwealth" (Kemp 2011). Admittedly, this was partially due to Kemp's antipathy to centralised school systems. Kemp identified information about the performance of public school systems that had previously kept secret by the Australian Council for Educational Research (ACER) as a condition of their state-funded contract. Kemp respected the states' rights to keep the information secret, but personally thought it was "disgraceful" and "wrong from a public policy point of view" to keep it secret, and has consequently "damaged opportunities for thousands of young Australians" (Kemp 2011).

The idea of more autonomy for government schools and the dismantling of the centralized systems and the giving of more autonomy to the management of government schools had been a long-term objective of mine, and I tried to pursue it as best I could from the federal position.
(Kemp 2011)

The influence of federalism on policy development

Policy problem

The definition of the policy problem – that the ERI was an inaccurate, complex and arguably compromised mechanism for allocating Commonwealth funding to private schools and restricted

growth of the sector – was determined by the Commonwealth government without meaningful consultation with the states. It was, however, greatly influenced by his consultations with representatives of the private school sectors that had commenced while he was shadow minister for education. Kemp’s appraisal of the ERI was substantiated by numerous reviews commissioned by the previous (Labor) Commonwealth government and submissions to those reviews by schools and other institutions in the private school sector. This definition of the policy problem would later be endorsed and given additional weight by findings of the KPMG review he commissioned shortly after the Howard government won office, and by extensive research undertaken internally by the Commonwealth education department under his direction. The terms of reference of this review did not require specific consultation with state governments, nor did it require consideration of the broader intergovernmental settlement for funding or managing schools. It did, however, explicitly mention consultation with the private school sector.

The problem was framed and given additional weight by Kemp’s long-held ideological convictions that market provision of education was both a means to an end and goal in and of itself. These convictions were shared to various degrees by other members of the Howard government, including the prime minister. They sought to improve educational outcomes through an extension of school choice and accountability, which in turn, were pursued through policies that encouraged the growth of the private school sector and facilitated parental choice. The previous funding model – the Educational Resources Index (ERI) – discouraged schools from significantly increasing their own revenue through fees and other means. In Kemp’s view, this limitation to private investment was an anathema to pursuit of educational excellence and a free (or freer) market in schooling.

Policy analysis and instruments

The development of an alternative model was likewise characterised by extensive research and consultation. This research was both carried out internally by the Commonwealth education department and commissioned from external firms. The models investigated were suggested by the minister David Kemp, recommended by the KPMG review he commissioned, and suggested by representatives of the private school sector. The criteria for assessing the alternative models were likewise based upon Commonwealth research and Commonwealth consultation with the private school sectors, as opposed to consultation with or influence from the state governments. This is

noteworthy, indicating again how established perceptions of responsibilities within the school policy sphere profoundly shape policy making practices.

As discussed in the previous chapter, the model identified by the Commonwealth as best meeting its criteria had been developed more than a decade earlier in Victoria and variations of this SES model were already employed by some state governments and some private school authorities to allocate funding to schools. This appears to be of minimal influence, however, given funding models from Canada and the United States were also investigated, indeed a study tour to North America was explicitly held for this purpose. In the words of SCPS (2011), who led the departmental team responsible for developing an alternative policy, “we would take good ideas from anywhere”. Kemp and government officials confessed they had very limited knowledge of the SES model prior to these large studies they commissioned or undertook.

It is possible that the operation of SES-based models elsewhere in Australia facilitated the investigation of it as an option and facilitated the communication of its virtues over other models. The familiarity of some private school authorities with SES models could have also been significant in their preference for this model over other suggested alternatives and their readiness to participate in the simulation exercise. Its contemporary use in multiple states and private school systems suggested the model may work well throughout the country, or at least face fewer implementation difficulties and unknowns compared to a funding model adopted from another country with different political and educational systems and institutions. This policy learning and transfer with adaption to new circumstances can be considered an indirect influence of Australian federalism on this Commonwealth case study.

Consultation

The reform process was characterised by extensive consultation of stakeholders by the minister, his advisers, and departmental officials at each ‘stage’ of the Australian Policy Cycle, from defining the ‘policy problem’ through to implementation and evaluation. This was not only between the government and stakeholders in the schooling sphere, but between stakeholders also. As Kemp and his state counterparts considered that the private schooling community were the primary constituents of the Commonwealth minister for education, consultation focused on this group. In this way we see federalism profoundly shaping policy scope and activity.

One of the most influential bodies was the National Council of Independent Schools' Associations (NCISA) and its state bodies, especially the Victorian council. Kemp (2011) attributes NCISA's influence to its highly engaged activists and "a very effective executive director", Fiona Ogilvy-O'Donnell, who was interested in the reforms and willing to defend them publicly once introduced, although he acknowledged that the fact he too resided in Victoria probably contributed. The NCEC and Christian Schools Association were also identified by the minister and officials as very significant in discussions, the latter being "very strongly represented" because they had been "especially disadvantaged under previous funding arrangements" (Kemp 2011) given their members generally lacked the resources of larger, established, elite schools, and lacked the lobbying clout and historical presence of the Catholic sector.

The Commonwealth also made significant effort to consult directly with parents, principals and teachers from private schools and the organisations that represented them. Of these, the most influential were the Australian Parents Council, the Association of Heads of Independent Schools and the Independent Education Union. Kemp also communicated directly to parents of school children using letters (e.g. Kemp 1999c). It is worth noting that each of these peak bodies institutionally mirrored Australia's federal structure, possessing state councils (also called commissions or branches) and a national council, which allowed them to focus their research and to target lobbying efforts at specific governments to maximise their impact.

While state governments were routinely consulted during the development of the SES funding reforms, neither the Commonwealth nor states considered the states to be the key stakeholders on this matter. Intergovernmental consultations and state government influence or involvement were not spontaneously mentioned by the minister, by his chief of staff or key bureaucrats responsible for developing and implementing the SES funding reforms, suggesting they were of minor or inconsequential influence during the policy making process. By contrast, interviewees offered repeated, unprompted descriptions of the reform process as being a "unilateral" Commonwealth initiative. Kemp could recall no direct telephone calls or letters from himself to his state and territory counterparts regarding the SES reforms, although there was administrative interaction between officials at state and Commonwealth level relating to tied grants for schooling and other Commonwealth programs. This contrasts with the significant consultation and influence of stakeholders from the private schooling community. Formal intergovernmental consultation occurred under the auspices of MCEETYA and was limited to intergovernmental initiatives such as

the Adelaide Declaration on National Goals for Schooling, discussed later in this chapter. The SES reforms were not discussed at these meetings. Informal consultation, largely in the form of dinners or conversations with education ministers from Liberal or Coalition state governments also occurred at these times or at party functions, but there is no evidence to suggest these interactions influenced the SES reforms.

Although the Commonwealth considered the states irrelevant or tangential to the development of its new model for funding private schools, state government representatives were included in some manner at each stage of the reform process. State government officials were invited to all consultation forums and made submissions to inquiries and reviews on each Commonwealth reform to school funding, and a state government representative sat on the reference groups and even came on the study tour, which also included representatives from private school peak groups. But while the state governments demonstrated mild interest in how the Commonwealth SES reforms were progressing they were not “madly concerned”, given the model would be applied to private schools only (SCPS 2011). In their view and the Commonwealth’s view, the state governments were peripheral to the SES reforms and only minimal consultation was needed.

The Commonwealth government also met periodically with non-government representatives of the public school sectors, despite these groups not being considered major stakeholders on the SES reform. The principals’ associations and government school parents groups were the main bodies dealt with. Kemp addressed an Australian Education Union conference as shadow minister but doubts he later met them as minister, because “they made it very plain they were opponents of the [Howard] government’s policies” and he resented what he considered their misrepresentation of the facts about school funding (Kemp 2011).⁵⁰

Coordination

The policy development process for the SES funding model required minimal consultation and coordination with other Commonwealth departments and agencies. The reform process was conducted almost entirely from within the school resourcing branch of the Commonwealth

⁵⁰ Much of the AEU’s documentation focused on Commonwealth funding and implied that public schools received less public funding than private schools. If state government funds were counted, per capita public funding per public school student was roughly twice that of private school students.

education department, with experts from within and without the department – such as economists, legislative drafters and schooling authorities – consulted as needed. The director of this branch, SCPS, reported almost complete autonomy for their branch in the policy development process (within the public service framework), and spoke of the benefits of working directly with the minister and the secretary of the department. The knowledge, experience and relationships the school resourcing branch had established meant there was little intervention from others within the department. That which did occur was to ensure vertical alignment (connecting goals, resources and structures so that policy intent matches program design and delivery) and to ensure from a ‘whole of government perspective’ that the proposed policy was consistent with the overall policy direction of government, was affordable, and posed no legal or organisation obstacles. Unlike other policy areas, such as homelessness or child protection, horizontal coordination (with other Commonwealth ‘line’ departments and agencies) was not required. While the central agencies were consulted as a matter of process, they did not influence the shape of the policy or the policy making processes. Neither Kemp nor the public servants responsible for the development of the SES reforms and schooling division as a whole reported any coordination obstacles with other government departments and agencies. The SES model was highly consistent with the Howard government’s overarching policy framework of increased competition, flexibility and choice in government programs and growth of private sector provision, through generous public subsidies that sought to win and maintain the votes of “battlers” and “aspirational voters” (Howard 2010; Kelly 2009).

Responsibility for intergovernmental coordination, legislative preparation, preparation of funding agreements containing the accountability provisions, and spending guidelines that school systems needed to adhere all resided with a budget and coordination unit within the schools resourcing branch. The head of this unit, Chris Evans, was also a member of MCEETYA’s schools resourcing taskforce and coordinated the Commonwealth education department’s briefings for the Commonwealth education minister and usually participated in the pre-meeting briefings with the bureaucrats. There were usually 30 or 40 items on MCEETYA meeting agendas. Items could be proposed by any member of MCEETYA, and the proportion proposed by the Commonwealth versus the states changed at each meeting, with some state ministers taking a more active interest than others. Many of these items were routine signing-off on reports, while others might involve technical discussions or heated debate. The EBA scheme, discussed later in this chapter, was a

standing item at MCEETYA meetings and fiercely opposed by most state governments (MCEETYA archives).

However, there was no formal or official intergovernmental coordination on the SES reforms to nongovernment funding. State and Commonwealth education ministers did not discuss these reforms at any of MCEETYA meetings throughout the long and drawn-out policy development or implementation processes, nor were state governments consulted to ensure the new Commonwealth funding policy worked efficiently with existing state programs and priorities, rather than at cross purposes. The state governments – ministers, education departments, treasuries, departments of premier and cabinets – were treated as simply another player alongside private school education authorities, but arguably a less important player. They were kept informed, but did not influence the making of the SES policy or form part of any coordination processes.

Decision

The Howard government's cabinet wielded great influence over the final shape of the Commonwealth's Choice and Equity policy for funding private schools, with the final, approved policy differing significantly from the sophisticated model that had been simulated by the department of education. Although the specifics of the "robust debate" and "frank discussion" within cabinet remain strictly confidential, it is evident that political judgments (electoral concerns and ideological convictions) played a major role in determining the final shape of the policy. It is possible the administrative convenience of maintaining school funding levels in real terms for those schools that would have lost funding under the new allocation model also played a role.

There is no evidence to suggest state governments or the Commonwealth parliament influenced the cabinet decision. As discussed earlier, the new funding model operated under two pieces of Commonwealth legislation, the *States Grants (Primary and Secondary Education Assistance) Amendment Act 1999* and the *States Grants (Primary and Secondary Education Assistance) Act 2000*. Of these, the latter was more important. While the bills were criticised by the Labor opposition during parliamentary debate, they easily passed both houses of federal parliament. Parliamentary critiques focused on the Commonwealth's apparent favouring of the private school sector at the expense of demonstrated need in the public school sector, and on its support for elite private schools. There was no critique of the principle of Commonwealth policy involvement in schooling.

Nevertheless, there is evidence of federalism indirectly contributing to the cabinet and parliamentary process. The intergovernmental fiscal settlement and high degree of vertical fiscal imbalance meant that Commonwealth's tax revenue far exceeded the sum required to meet their expenditure responsibilities and they could afford to spend much more money on private schools that demonstrably did not need it. By contrast, state governments had inadequate revenue to meet their service expenditure and would not have been able to justify funding well-resourced schools serving advantaged communities over-and-above their relative need in perpetuity simply because they wanted to.

Implementation

The implementation process was determined entirely at the Commonwealth level, and was most heavily influenced by negotiations with various school authorities, which greatly explains the special agreement reached with the Catholic sectors through their national education commission. Examination of media articles from the time, ministerial statements and Senate estimates transcripts provide no evidence of state governments or intergovernmental relations and institutions directly influencing the implementation process. Likewise, interviews with the minister, his advisor and senior bureaucrats provide no indication of direct state influence on how the reforms were implemented.

However, the Australian Constitution determined the implementation mechanisms available to the Commonwealth. The Commonwealth could not provide its funding directly to private schools. Instead it had to provide its funding to these schools via tied grants to the states. Subsequently, the Commonwealth government was reliant on the states and private school system authorities as agents to implement the new funding allocation formulas. But these authorities could and did deviate from these Commonwealth formulas and school allocations and instead use their own allocation models to distribute the Commonwealth funding among their schools. While the actions of the states did not alter the reforms or their implementation process, their involvement is interesting. For example, the states would delay their transfer of Commonwealth funds to these private school system authorities for a short period of time (usually several days to a fortnight) and let them sit in trust funds so as to briefly accumulate interest earnings on the large sums (Daniels 2011). There is also evidence to suggest that some states adjusted their level of funding for private schools in their jurisdiction as a reaction to the higher support these schools were now receiving

from the Commonwealth. Between 2001 and 2004, all states except Western Australia either decreased their funding for private schools, or did not increase private school funding in real terms. This indicates a “replacement effect”, rather than a “flypaper” effect. It is not clear whether these budgetary responses were politically driven – an effort to counteract the Commonwealth’s increased support for private schools – or whether they were simply a cost-saving measure impelled by local factors, influenced by the knowledge that once Commonwealth funding was considered, private schools wouldn’t be worse off from the state reductions. Chris Evans (2011), who headed the unit in the Commonwealth education department responsible for intergovernmental coordination and the preparation of school funding agreements with states cautioned that “it would be wrong to assume that the states [were] uniform in how they approach[ed] this” given they each faced different political pressures and different proportions of voters that placed a high degree of importance on access to private schooling.

Evaluation

The performance of the SES allocation model for nongovernment school funding was formally evaluated by the Commonwealth in 2003. Minor modifications were made, but these modifications were not driven by state governments or intergovernmental concerns. Some state governments did, however, seek information through Senate estimates hearings on the reforms’ implementation, in particular on how the funding maintained provisions applied to elite private schools, ostensibly in an effort to embarrass the Howard government. Questions from state governments, most often from the Labor New South Wales government, were provided to federal Labor Senator Kim Carr from Victoria, who was opposition spokesperson for education in the Senate, who would then address to the questions to Commonwealth officials and representatives from private school authorities (Evans 2011). Each state government also made submissions to Senate and departmental reviews and inquiries related to the implementation and operation of the Choice and Equity policy.

Evaluation of the reforms was hindered by the separation of policy actors who developed the policy and were formally tasked with evaluating it (the Commonwealth education department) from those that made the policy decision (the cabinet), and those who implemented the policy (school systems and individual schools). This separation, as well as the distance of the Commonwealth education

department from schools generally, made it more difficult to assess the SES reforms' impact on educational outcomes.

Summary

The SES reforms – the most significant reform to school funding at the Commonwealth level in decades between 1974 and 2014 - appear to mostly accord with the coordinate model of federalism – whereby each level of government operated independently in own sphere without needing to greatly involve the other. There is little evidence to suggest state governments or intergovernmental institutions directly influenced this Commonwealth reforms in any way. Policy makers would repeatedly and independently refer to the development and pursuit of this new funding model as “unilateral”. The overwhelming drivers of the policy from the definition of the policy problem, the preferred policy instrument and the implementation process were the philosophical convictions and broader policy agenda of the minister and Howard government cabinet, followed by input from the private school sectors.

Nevertheless, this chapter has identified multiple ways in which Australian federalism indirectly influenced the policy making process or the reforms. Firstly, the pursuit of the SES model as an alternative policy instrument was facilitated by its successful operation elsewhere in Australia. Secondly, the policy innovation (the original SES model) occurred at the state level of government and had spread with modification to other jurisdictions before its vertical transfer and adoption by the Commonwealth level. This was arguably enhanced by John Roskam’s employment as Chief of Staff to the Commonwealth education minister directly after his employment as senior adviser to Don Hayward, the Victorian education minister. Kemp described Roskam as “very helpful” because of his expertise in state education policy (2011). The federal system of governance operated as a policy laboratory. Thirdly, the division of policy responsibilities and the vertical fiscal imbalance in the Commonwealth’s favour shaped the scope of the reforms, allowing the Commonwealth to significantly increase funding to private schools above previous levels and above levels recommended by its own reports and modeling. This is unlikely to have been possible had the Commonwealth not had such fiscal revenue or had the Commonwealth had full responsibility for all public schools as well. Fourth was the constitutional provision enabling the Commonwealth to provide funding to school authorities via tied grants through the states, which restricted the policy instruments at its disposal to pursue its policy goals.

Permeating these indirect influences of federalism was the perception of responsibilities for schooling in Australia's federal system, in which the Commonwealth had primary arms-length responsibility for private schools and the states had responsibility for public schools. This perception was shared by public servants, political staff, the minister and the prime minister, by the peak groups and even by state governments. In accordance with this perception, the states were not considered partners (even though implementation required state cooperation and Commonwealth funding to be passed "through" them via tied grants) and consequently the states were not meaningfully involved in the policy making. In this sense, the SES reforms were similar to Victoria's Schools of the Future reforms, which were likewise described as unilateral by policy actors and developed unilaterally at a single level of government, but bore evidence of being indirectly but profoundly influenced by Australian federalism.

While this reform – the development and introduction of the Commonwealth's socio-economic status funding model for private schools- appear to mostly accord with the coordinate model of federalism, this was only one element of Commonwealth activity in the schooling portfolio at this time. We now turn to other, concurrent Commonwealth and intergovernmental initiatives in schooling to have a fuller understanding of the nature and influence of federalism and intergovernmental relations in this policy sphere.

The Bigger Picture

During the development and implementation of the SES reforms, the Commonwealth concurrently pursued a number of other initiatives in schooling - some unilateral, some intergovernmental, some coercive and some collaborative. The nature and degree of intergovernmental collaboration on these other initiatives is informative and a necessary complement to those accompanying the SES reforms, to fully understand how federalism - especially the division of responsibilities, intergovernmental institutions and intergovernmental relations - influences the making of education policy at the Commonwealth level. Three other policies will be briefly discussed: the Enrolment Benchmark Adjustment (EBA) Scheme, revised accountability guidelines for tied grants, and the Adelaide Declaration of National Goals for Schooling. These were chosen for their significance in the schooling portfolio (as identified by primary and secondary sources, including research participants) and for their demonstration of how the nature and influence of federalism

and intergovernmental relations can significantly differ in a single policy sphere in a single period of time.

Coercion: Enrolment Benchmark Adjustment Scheme

The Enrolment Benchmark Adjustment scheme (EBA) was introduced in the Coalition's 1996 budget and is "one of the more controversial funding initiatives of the Howard Government" (Wilkinson et al 2007: 170). It was a unilateral move of the Commonwealth and provoked intense debate in parliament and at meetings of MCEETYA (Maple 1998: 240; Wilkinson et al. 2007: 240; Kemp 2011; Evans 2011; Furtado 2001: 164; Daniels 2011). This scheme was initiated by the ERI review process and introduced to parliament in September 1996 in the same Bill that abolished the New Schools Policy (DPL 1996).

The EBA scheme was a new funding mechanism intended to reduce the scope for cost-shifting between the state and Commonwealth governments and account for the financial implications of any drift of students from public schools (run and funded primarily by state governments) to private schools (run by private school authorities and mostly funded by private income and Commonwealth grants). When triggered, the mechanism reduced Commonwealth funding allocations to state governments for public schools to reflect any reduction in the proportion of students in their state attending public schools. The funding reduction applied only to the general recurrent grants for schools. The rationale for the scheme was that state and territory governments save money when a student moves from a public school to a private one, while the Commonwealth incurs additional spending because of the division of funding roles between governments.

Wilkinson et al (2007: 171) explain:

If the enrolment data revealed an increase in the private school sector's share of student enrolments in a particular state or territory, that state or territory is considered to have had a notional saving, 50 per cent of which was deducted from its Australian Government General Recurrent Grant. The EBA was said to have been 'triggered' in these circumstances. But an EBA 'liability' (reduction in the General Recurrent Grant) only occurred when the enrolment shift exceeded a predetermined buffer.

In its first decade of operation, the EBA was triggered in five states – New South Wales, Victoria, Queensland, South Australia and Western Australia. The importance of the buffer is shown by the

fact that Victoria's EBA liability in 2006 would have been over \$20 million higher had the buffer not existed. Total EBA liabilities in 2006 were over \$143.2 million (Wilkinson et al. 2007: 171).

The EBA is an example of unilateral policy making at the Commonwealth level with negative effects on the states. It was a reform developed by the Commonwealth education department at Kemp's request. Implementation was also Kemp's decision (Kemp 2011, Evans 2011) and did not require new legislation, merely a minor amendment to the existing *States Grants (Primary and Secondary Education Assistance) Act 1996* to stipulate that the Commonwealth funds would be "no more than" the amount multiplied by the number of students, rather than "equal to" (Department of the Parliamentary Library 1996). Reflecting on the policy making process for the EBA scheme, Kemp (2011) stated:

Well we didn't design it in cooperation with the state ministers. We designed it ourselves. But we debated and discussed it at meetings of ministers.... and I think I can say that the state ministers universally disliked it.

Kemp considered this unilateral action was justified by the fact the Commonwealth had responsibility for determining the level of Commonwealth tied grants to states, in line with Section 96 of the Constitution. In his words,

The failure to have some mechanism such as the EBA, would've meant a constant increase in money going per student to government [public] schools over and above any ordinary supplementation that occurred. And so the EBA was an attempt to recognize just the shifting of resources between the sectors as parents made their choices between the sectors [and] a response to falling or static numbers in government schools. (Kemp 2011)

Because the EBA scheme affected state government budgets for their school systems, it was fiercely debated at meetings of MCEETYA, where it was a standing item on the agenda for years (Evans 2011, Kemp 2011, MCEETYA archives). State governments and others in the public school sector heavily criticised both the rationale of the scheme and its effects – the reduction of funds to the public school sector when this sector enrolled a disproportionately large proportion of socio-economically disadvantaged students and students with disabilities. It is not possible to determine the extent to which state governments' revisions to their funding allocations for public and private schools were provoked by the EBA scheme as opposed to other factors such as budget imperatives, local needs, and ideology. Nevertheless, Kemp (2011) believes that "it is fair to say the states did take decisions in response to the EBA and SES". The Independent Education Union in NSW and the

ACT agree, stating in a 2000 press release that state and territory governments “may react to the unfairness of the EBA mechanism by penalizing the private school sector” (ACT/NSW IEU 2000).

The EBA scheme was revised in 2001 so that funds deducted from any state would be returned to them (subject to certain conditions) to support a component of the Howard government’s Backing Australia’s Ability (BAA) policy called ‘Fostering Science, Mathematical and Technological Skills and Innovation in Government Schools’. To be eligible, states and territories needed to provide the Commonwealth government with a detailed plan on how the funds removed via the EBA mechanism would be applied to the BAA policy (Wilkinson et al. 2007: 172). It is likely that this reform to the EBA resulted from the intense intergovernmental negotiations within and without the ministerial council, although, because most of the real negotiation between governments occurs between meetings, and is not necessarily recorded or accessible, it is not possible to say for certain.

Coercion: tied grants to states for schooling

Another example of unilateral Commonwealth decision making with direct and negative implications for state governments are the revised reporting guidelines and bilateral agreements accompanying tied grants for schooling, ostensibly to increase accountability. Because these Commonwealth guidelines prescribed ways in which the states had to spend and report on the grant, they can also be described as an example of coercive federalism.

Accountability was a recurring theme in Kemp’s speeches, media releases and in government documents. Kemp’s address to the Australian Council of State School Organisations (ACSSO) and Australian Parents Council in 1996 shortly after the Howard government’s election was indicative of the Commonwealth’s early approach to accountability provisions attached to school funding:

Accountability seeks to compare outcomes with intentions, outputs with inputs, and to explain where there are divergences between these. It is not just a matter of accounting for the spending of money ... Whilst primary responsibility for education rests with the States and Territories, and the Commonwealth Government does not want to interfere in that role, we are committed to ensuring the access of young Australians to education of the highest quality - education which delivers to students what they will need as they move through life. (Kemp 1996b)

The Commonwealth’s accountability requirements increased significantly while the Howard government was in office. In a keynote speech to the Curriculum Corporation titled ‘Outcomes Reporting and Accountable Schooling’ Kemp outlined a number of reasons he believed the

Commonwealth had a direct interest in school reporting and accountability: to help improve student outcomes; to help make schools more effective; and to help make its own programmes work better (Kemp 1999a). The Howard government's accountability agenda was intimately tied to its school choice agenda:

The centralized systems [of education] have perpetuated the alienation of disadvantaged parents and educational disadvantages of their children ... [Empowerment] will never happen if parents are not given the right of choice and schools are not given the flexibility to respond to those choices ... to move towards this goal [quality education and democracy], flexible schools and the empowerment of parents through the right of informed choice based on knowledge of educational outcomes will be the central features of our policy direction. (Kemp 1998)

The *States Grants (Primary and Secondary Education Assistance) Act 2000* – which provided the legislative framework for the SES funding system for private schools also provided the legislative framework for tied grants for schooling provided by state governments to their public schools. In order to receive recurrent funding for their school systems via the tied grant, state governments were required to sign an agreement with the Commonwealth and were subject to Commonwealth-determined conditions relating to financial accountability and educational accountability. This agreement included a requirement that each state makes a commitment to the National Goals for Schooling (The Adelaide Declaration). It also required states to report annually on the outcomes against literacy and numeracy benchmarks (Clause 12) and on their progress towards achieving performance targets (Clause 15), which were derived from the National Goals stipulated in the Declaration. These agreements, and the 2000 Act, stipulated that failure to meet the requirements could result in state governments being compelled to partially or fully repay their tied grant for schooling, or undertake and report on specified actions requested by the Commonwealth minister. States were also required to report on expenditure annually to the Commonwealth, and the minister could require states to repay any unspent funds (Clause 14) (Spooner and Dow 2000: 10).

While the Adelaide Declaration (discussed in greater detail below) was developed collaboratively through MCEETYA, the specific performance information, targets, compliance mechanisms, grant agreements and regulations were all set unilaterally by the Commonwealth (Kemp 2011; Evans 2011, Spooner and Dow 2000; Victorian Government 2000; NSW Government 2000). This contrasts with official Commonwealth rhetoric that it wanted “educational accountability to be undertaken

co-operatively, not imposed from above” (Kemp 1996a). The unilateral, coercive and punitive nature of the conditions was emphasised in the Bills Digest prepared by the Parliamentary Library:

The Bill did not specify the required performance measures and targets or how they might be derived. Instead, the Minister would be able to determine such measures and targets unilaterally through regulations. Clause 15(b) which requires a “report or reports, of a kind or kinds required by the Minister” further emphasises the unilateral rather than the collaborative approach of the current Act. Further, the Bill does not specify the types of action required by States and authorities that do not meet performance targets. DETYA has identified such ‘remedial’ action might be:

1. Undertaking particular agreed interventions
2. Reviewing and evaluating strategies and reporting plans for improvement to the Commonwealth, and/or publishing improvement plans within a given time
3. Submitting to independent review, for example, of capacity to make improvements in literacy and numeracy standards
4. Providing to the Commonwealth and/or publishing disaggregated data to identify schools having problems. (Spooner and Dow 2000: 10-11)

The steep increase in the powers of the Commonwealth relating to reporting and accountability measures troubled the states and territories. While they supported the emphasis on the Adelaide Declaration, which they had co-authored, they were concerned about the coercive measures unilaterally determined by the Commonwealth and concerned at the widening of the minister’s powers in Clause 12 relating to conditions of financial assistance (e.g. Victorian Government 2000; NSW DET 2000). The Victorian Government’s submission to the Senate Inquiry illustrates these concerns:

The Victorian government ... is concerned that the Bill, in many of its provisions relating to accountability and reporting, does not adequately emphasise or support the spirit of national collaboration inherent in this forum. By conferring strengthened and significant unilateral powers on the Commonwealth Minister in relation to accountability and reporting, the Bill raises a number of important issues concerning the on-going significance of MCEETYA and its process for future Commonwealth/State collaboration ... The new Bill fails to recognise the States’ educational responsibilities and, as such, is unacceptable. The Bill should reflect an

appropriate regard and respect for MCEETYA as the agreed national process, but fails to do so.
(Victorian Government 2000: 14)

The state governments proposed amendments to the Bill, such as for provisions for the performance measures and targets accompanying the grants to be determined collaboratively through MCEETYA, and the removal of the unilateral powers conferred on the Commonwealth minister (Spooner and Dow 2000: 16). These amendments were not pursued by the Commonwealth, which illustrates the degree to which policy actors prioritise their own interests and objectives over those of others wherever possible, in accordance with the rational actor theory and pragmatic federalism view. It also reflects the power imbalance at that time.

Although the Commonwealth could require the states to fully or partially repay tied grants for schooling for failing to meet the stringent conditions contained in the agreements accompanying the 2000 Act, there is no evidence to suggest that this happened. Kemp (2011) reflected that to his knowledge all the states complied, but that this clause was

politically very difficult to implement, I don't know how you would do it. I mean it is possible for the Commonwealth to remove some funding from the states, but not the lot.

This is due to the fact the tied grants for schooling are pooled with state's own funding for schooling, making it difficult or impossible to identify how state and Commonwealth funding had been spent on particular programs. This analysis concurs with my analysis of Victoria's School of the Future reforms, and with the analysis of Australian and international scholars on the difficulty or impossibility of assessing the degree to which federal tied grants are spent as envisaged by federal governments (e.g. Watson 1998; Gordon 2003; Stoker 1991).

However, in 1996-1997 Kemp retracted about \$5 million in Commonwealth funding from the New South Wales government for breaching an obligation. This funding was then used to design and fund the Travelling Showpersons' School that travelled up and down the east coast of Australia. Kemp had been concerned that the literacy levels were extremely low both amongst the parents and the students of these travelling performers and crew (Kemp 2011). The Travelling Showpersons' School was a joint initiative with NSW Labor Government and is an example of bipartisan cooperation between state and Commonwealth governments even where fractious relations are ongoing on other issues.

The controversial compliance conditions in the *2000 States Grants (Primary and Secondary Education Assistance) Act* were further strengthened by the Commonwealth in the amendments to this legislation and the subsequent act *Schools Assistance (Learning Together – Achievement through Choice and Opportunity) Act 2004* which would require all school authorities (including state governments) to sign an agreement with the Commonwealth committing them to implementing certain programs, achieving (rather than working towards) performance targets and providing additional information to satisfy education and financial accountability requirements (Australian Government 2000; Harrington 2004; ISCA 2004.) This suggests both on-going intergovernmental tensions and limited success from the Commonwealth’s perspective in controlling how state governments spent the tied grant. Indeed, the regulations within the 2004 Act were subject to such extensive negotiations between the Commonwealth education authorities and state and territory ministers that the final regulations only gained assent from the Governor General in August 2005 (Daniels 2005: 4). It is possible the states only acquiesced because the nature of Australia’s VFI meant they relied upon these tied grants to run their own public education systems. Their financial need outweighed their opposition to Commonwealth intervention in what they considered their policy territory. In Kemp’s words “the only reasons the states accepted it was because I wouldn’t let it drop, and I just kept at them until they had no choice” (2011).

These examples of unilateral and coercive Commonwealth actions – the EBA Scheme and more stringent conditions attached to tied grants - do not neatly fit the coordinate or cooperative models of federalism. Both state and Commonwealth governments were actively involved in the same sphere (schooling) and doing similar things (funding schools and assessing the effectiveness of that funding). The Commonwealth’s actions were independent of, and arguably counter to, those of the states, yet despite their coercion they had minimal control over implementation of programs funded using these grants. Greater accountability requirements created additional work for state governments which needed to divert resources to fulfill the more onerous requirements, and in some instances had to modify their existing programs or budgets to fulfill the grant agreement with the Commonwealth. These were not examples of intergovernmental cooperative policy making, even though both levels of government required financial or other involvement to pursue their own, separate school funding programs.

The state governments responded to these Commonwealth initiatives in various ways, including meeting together before official MCEETYA meetings to share information and discuss goals and

tactics with each other in the absence of the Commonwealth. State governments would at times withhold documents for MCEETYA meetings until immediately before or the day of the meeting, rather than providing them to the secretariat two weeks in advance for distribution to the Commonwealth as protocol required. Some Labor state governments also used the Commonwealth Parliament's Senate estimate committee hearings to gain detailed information from DETYA through the provision of questions, or to gain material for questions for sympathetic senators to ask on their behalf (Evans 2011). This was a rare instance of the Australian Senate acting as a 'states' house' in addition to its usual contemporary use as a house of review that votes on party lines.

Collaboration: The Adelaide Declaration

This chapter so far has examined examples of Commonwealth policy making that can be described as unilateral. We now turn to the Adelaide Declaration of National Goals for Schooling in the Twenty-First Century as an example of collaborative intergovernmental policy making through the Ministerial Council of Employment, Education, Training & Youth Affairs, which was agreed to on 23 April 1999. A copy can be found in Appendix D.

The Adelaide Declaration on National Goals for Schooling in the Twenty-First Century was in essence an agreement between all Australian state, territory and Commonwealth education ministers on the direction of education reforms and policy objectives, and was intended to set a foundation for future schooling investment. It set out 18 common and agreed goals and committed the state, territory and Commonwealth ministers of education to improving Australian education within a framework of national collaboration. These goals concerned academic and employment skills, the curriculum, and social equity. The Declaration was developed in a "fairly positive and cooperative way" in which no single government dominated (Kemp 2011). The input of the private school sector was also sought and included (Evans 2011; MCEETYA archives Box 1 Correspondence; Box 2 Draft documents and proposed amendments).

The process began in 1996 when education ministers from all states and territories and the Commonwealth agreed to the terms of reference and the composition of a dedicated national goals taskforce. This taskforce would undertake the bulk of the groundwork and research between MCEETYA meetings, via teleconferences and written correspondence. The results of this work would be debated, amended or approved at MCEETYA or taskforce meetings, before the taskforce's next round of work began. The taskforce itself was composed of representatives of each of the

education ministers (mostly senior bureaucrats, such as Chris Evans, Assistant Secretary from the schools division of the Commonwealth education department and Dr Jim McMorrow, Deputy Director-General from the NSW education department) representatives from the National Catholic Education Commission and National Council for Independent Schools of Australia (McArthur 1997; McArthur 1999:1). The national goals taskforce first met on 4 September 1997 in Melbourne where the taskforce chair, Geoff Spring, who represented the Victorian government, resided and began with a comprehensive review of the 1989 Common and Agreed Goals for Schooling in Australia (the 'Hobart Declaration') in light of the social, economic and technological changes and future challenges. The MCEETYA secretariat was also based in Melbourne and provided extensive research and administrative assistance.

Spring was committed to working positively with the Commonwealth government and took great effort to make sure an agreement could be reached between all parties (Evans 2011). It helped that he had previously worked closely with John Roskam, who now headed Kemp's ministerial office. The Taskforce met multiple times over the next 19 months, with a formal draft of the revised goals released on 23 April 1998 and a discussion paper released to stakeholders and the general public the following month (MCEETYA 1998: 1). Between MCEETYA meetings, education ministers would consult colleagues and stakeholders on the development of the reforms. The Australian public was also invited to provide feedback to the MCEETYA secretariat or to any taskforce member. Each individual goal, as well as the wording of the preamble was dissected and discussed at length before being approved in their final form.

The wording of the preamble is noteworthy for its explicit mention of the states' constitutional role and the shared, collaborative role for improving schooling nationally.

These common and agreed goals establish a foundation for action among state and territory governments with their constitutional responsibility for schooling, the Commonwealth, nongovernment [private] school authorities and all those who seek the best possible educational outcomes for young Australians, to improve the quality of schooling nationally.

The most contentious element of the declaration was its:

commitment to collaboration for the purposes of ... explicit and defensible standards that guide improvement in students' levels of educational achievement and through which the effectiveness, efficiency and equity of schooling can be measured and evaluated.

Goal 2.2 was also the subject of prolonged discussion, which stated that students should have “attained the skills of numeracy and English literacy such that every student should be numerate, able to read, write, spell and communicate at an appropriate level”. Of course, it is easier for the Commonwealth to undertake such a commitment when they do not run any school system themselves. It is these elements that provided the foundation for the Commonwealth’s controversial and stringent accountability requirements attached to their tied grants from 2000. The states, in challenging the Commonwealth’s revised conditions, would instead refer to multiple references to national collaboration or “commitment to collaboration” in the Declaration. In its draft and final form, the goals of the Adelaide Declaration had a sharper focus on educational outcomes than the document it replaced.

The fact that these national goals were agreed to by all education ministers as the foundation for future education investment and reform, and that the development process was so amicable and straightforward, despite detailed discussion on contentious issues and despite the states’ antipathy to the Commonwealth’s EBA scheme debated at the same meetings, indicates the complexity and sophistication of intergovernmental relations in a single period of time in a single policy domain. The subsequent behaviour of the Commonwealth – using these common goals as a foundation for unilaterally increasing the conditions attached to its tied grants for schooling - also demonstrates the extent to which intergovernmental institutions, such as MCEETYA, can be used for different purposes by individual actors in pursuit of their own agenda.

Conclusion

Australian federalism had little direct influence over the policy making process of Commonwealth’s SES model for funding private schools. While states were routinely consulted and kept informed of the reform process, they were considered by the policy actors to be tangential to reforms and ultimately had no direct influence on the final policy or their development, which the Commonwealth pursued unilaterally.

Yet Australia’s federal system had multiple indirect influences over this process and the shape of the reforms and implementation. The Commonwealth required state cooperation to provide funding to private schools, which was provided through their treasuries using a tied grant under Section 96 of the Australian Constitution. Likewise, the possibility of Commonwealth providing funding to schools could not have occurred had schooling been an exclusive power of the states, as

opposed to a residual power (Section 51) and open to concurrent activity (under Section 91 and the 'benefits to students' amendment to Section 51). The fact the states had primary responsibility for schooling and directed most of their funding to public schools meant the Commonwealth could justify directing a larger share of resources to the private schools. Finally, the size of the funding increase – over and above the amount recommended under the original SES model – would have been difficult or impossible to fund without the Commonwealth's disproportionate share of fiscal revenue. This also muted state government opposition to associated reforms – they were dependent on Commonwealth grants for running their own school systems, and were reluctant to bite the hand that fed them.

Kemp's ideological views about education also inspired the more stringent accountability mechanisms for all school authorities, which were built into legislative framework for the SES model.

Even though the policy changed significantly as a result of the cabinet decision (explained in part by Kingdon's model as discussed in the previous chapter), Bridgman and Davis' Australian policy cycle was found to be useful tool for evaluating the influence of federalism at each 'step' of the policy making process of this major reform to nongovernment school funding. The SES reforms were described by policy actors as 'typical' of Commonwealth education policy making within the Australian federal system. For instance, Kemp (2011) said:

Both EBA and SES reforms were facilitated by federalism because it gave the Commonwealth government the capacity to take a decision affecting the whole country and independent [private] schools in every state ... Federalism provided a framework for debate about [the reforms], defining who the parties were to the debate and what claims they could make.

In other words, in cases where the government acted 'unilaterally', Australian federalism determined the scope of reform and instruments available to a government, even if direct intergovernmental consultations did not result in meaningful or significant policy shifts. The SES funding model for private schools is an example of inter-jurisdictional policy learning. The model was first developed and used at the state level, before being adopted and adapted by the Commonwealth. The movement of key policy actors across levels of government is likely to have further enhanced knowledge transfer. This horizontal and vertical transfer of policies and expertise indicates the existence of a policy laboratory.

Federalism is pragmatic and multi-dimensional – not coordinate or cooperative

Although the unilateral nature of Commonwealth's policy making for this SES model appears to accord with the coordinate model of federalism, examination of other concurrent school funding initiatives – such as the EBA Scheme, revised tied grants for schooling and the Adelaide Declaration – reveal the depth and complexity of intergovernmental relations in contemporary Australia. Intergovernmental relations can take a variety of forms and intergovernmental institutions can be the stage for substantive collaboration, battles or stalemates.

I mean the Commonwealth administers its policies autonomously as the states do, and the states don't consult the Commonwealth, and the Commonwealth doesn't consult the states on their specific policies that relate to their own expenditure or their own revenue, unless the policy has to be implemented jointly and, in this particular case, the policy did not have to be implemented jointly. But I'm quite sure that the officials meetings would've taken place in relation to the SES and numbers of other reforms. Certainly, the greatest cooperation with the states occurred in the relations of the literacy reforms, which could not have been implemented without state cooperation. And the national benchmarks completely required the cooperation of the Commonwealth and the states and the agreement of all the state education ministers. (Kemp 2011)

This highlights the limitations of the dominant models of intergovernmental relations and divisions of responsibilities that seek to pigeonhole complex and dynamic systems into a single category.

The case study extends our understanding of federalism. It demonstrates that the marble cake analogy for federalism offered by Grodzins (1966) does not only apply to a federal nation as a whole, but to each policy domain at any given time. When interview subjects – the Commonwealth minister, his chief of staff, senior responsible public servants and representatives of private school authorities and lobby groups were asked about the nature of intergovernmental relations in schooling and the education portfolio more generally, their answers differed dramatically depending on the particular initiative under discussion – the SES reforms, the EBA scheme, the Commonwealth-led intergovernmental literacy initiatives, the Adelaide Declaration, and the Commonwealth's revisions to accountability requirements attached to its tied grants for schooling. The nature of intergovernmental relations was variously described as collaborative, constructive, cooperative, coordinate and coercive. The form these relations took was most influenced by the

particular nature of the initiative and the extent to which it impacted on public schools (or in other words, overlapped with state governments' core responsibilities).

Conversely, partisanship was of minimal or negligible influence. A considerable amount of tension existed between the two levels of government, particularly stemming from the Commonwealth's EBA scheme and its ambitious and largely unprecedented literacy initiatives, to which the states were initially hostile. There was also tension emanating from the Commonwealth's use of tied grants as a "powerful policy tool" and "integral part of the broad policy framework for improving quality in schooling and achieving higher standards for all students" (DEETYA 1997: 1), which could be aptly described as coercive federalism. This tension, however, did not prevent effective intergovernmental collaboration on the development of common and agreed national goals for schooling in the Adelaide Declaration.

The Commonwealth's financial and constitutional power was essential to its pursuit of these school funding reforms. Kemp believed that "control over money" was "essential", and that control was in the background of all intergovernmental discussions. In his words, the

Commonwealth's 'bank book' was helpful putting explicit benchmarks into the funding agreements [with state governments] ... and was probably a key element in most of the major federal-state agreements. (Kemp 2011)

Intergovernmental tensions

It is little wonder then that these power battles – constitutional, financial and policy – are a key feature of policy making in Australia's federal systems. As Kemp (2011) describes:

There's a lot of tensions built into [federal - state] relations by the federal system, but I'm not sure there's any less tension between Scotland, Ireland, Wales and London... The management of the federal system is the management of those tensions and trying to get constructive outcomes from them. You can never hope for a system [which] is fully cooperative because the truth is that the states and the Commonwealth do not have exactly the same powers and the decisions of each are not the joint property of each. Each takes, each has autonomy to take its own decisions. And that's the source of the tensions and successful federal-state relations is successful management of those tensions, which are inbuilt.

Yet intergovernmental tension exists within all federal systems, to the extent that conflict resolution mechanisms are considered one of the essential components of the written constitutions

for federal states. In this case, Section 91 of the Australian Constitution and MCEETYA provided formal mechanisms for collaboration and tension resolution. To a degree the use of the Senate by the states did this as well, as the information they obtained from estimates hearings assisted the prosecution of their argument and negotiations with the Commonwealth. A vast amount of intergovernmental negotiation and communication occurred beyond the auspices of MCEETYA, largely through telephone calls, written exchanges and face-to-face meetings between government officials or ministerial offices, exchanges which were often unrecorded and thus impossible to rigorously examine. Chris Evans (2011), an Assistant Secretary in the Commonwealth education department, a member of the MCEETYA's schools resourcing taskforce and the public servant responsible for briefing Kemp for meetings, argued the bulk of MCEETYA's work occurs outside of official meetings and is unrecorded.

Intergovernmental tension in itself is not necessarily harmful to policy making, nor is policy competition and or even coercive behaviour by a single level of government. Rather, as discussed in Chapter Two, these can be signs of a federal system adapting to a changed political or policy environment and a healthy sorting of roles. A level of government that overreaches is susceptible to some pushback by citizens, or the other level(s) of government, or both. This case study of the SES reforms provided evidence of multiple instances of such pushback from state governments, including protracted negotiations on, and revisions to, the legislation and agreements supporting tied grants.

Nevertheless, the concurrent state and Commonwealth presence in school funding unquestionably led to overlap, duplication, confusion and unnecessary conflict within schooling policy in Australia. David Kemp argues this is a good thing:

[Federalism] has probably shaped [schooling funding arrangements] for the better. It has provided the opportunity for different opinions to have influence and to make public appeals and get public support. And therefore it's given the electorate a wider choice of policies than they would have had. (Kemp 2011)

I agree with his assessment that it enables more opinions to be heard and more policy choices to be available. But as the next, concluding chapter of this thesis argues, the additional policy perspectives and opportunities can have both virtuous and damaging effects, depending on the constellation of actors, alignment of their interests, and use or abuse of institutions such as tied

grants and intergovernmental councils. Federalism, in practice, operates beyond simplistic political claims and even the dominant scholarly models.

CHAPTER 8: CONCURRENT FEDERALISM: OBSERVATIONS AND INSIGHTS

This study brought together the disparate fields of federalism, education policy and policy making to examine the influence of Australia's federal system on schooling reform. Using landmark Victorian and Commonwealth school funding reforms as qualitative, comparative case studies, I critiqued dominant models and widely held views of federalism and of policy making. I contributed new knowledge and a deeper understanding of these pivotal reforms that continue to influence education policy across Australia, and advanced a more sophisticated conception of contemporary federalism, intergovernmental relations and policy making in Australia in policy domains characterised by concurrency.

I have shown that federalism should be understood as a multidimensional, flexible and dynamic governance framework, rather than a set of static rules and institutions. This framework shapes and channels the behaviour and decisions of policy actors, including governments, in indirect ways that are not always acknowledged, and at a much faster pace than previously understood. In particular, I found that intergovernmental relations in the education policy sphere in this short period of time were far too changeable to warrant the use of dominant models of federalism such as coordinate, cooperative, competitive or collaborative federalism as descriptive or normative tools. Instead, I advocate the term *concurrent federalism*, where government policy actors acted unilaterally and pragmatically in pursuit of their own policy goals within a shared policy sphere, but where reforms were still shaped by the contours and institutions of Australia's evolving federal system. This pragmatism and dynamism explain the volatility of intergovernmental relations and the dependence of policy outcomes, including intergovernmental initiatives, on the alignment of interests and opportunities, in turn influenced by contextual and level specific features (such as cabinet priorities or the budget situation). I have extended Grodzin's memorable 'marble cake' analogy (1966), and mounted evidence to suggest that not only does it apply to a federal nation as a whole, but also to a single policy domain at any given time. This Australian analysis is matched by similar analysis of Canada where different models of federalism were found to be in operation at any time, even the same policy sphere (Bakvis and Skogstad 2008). My research therefore builds upon and extends existing theoretical knowledge of federal systems in Australia and internationally.

I found that the influence of federalism at both levels of government was significant, but mostly indirect, and that the Victorian and Commonwealth governments pursued their reforms unilaterally. I further found compelling evidence of state-level policy innovation and diffusion independent of Commonwealth directives, and demonstrated that this policy learning occurred in both horizontal and vertical directions. Australia's federal system in the 1990s fostered rather than hindered policy development and implementation at the state level, despite the presence of tied grants and many intergovernmental agreements. These findings were revealed by my methodology and theoretical tools. The Australian Policy Cycle (Bridgman and Davis 1998) was employed to break down the policy making process into eight elements over which I cast an intergovernmental lens. This allowed for the delineation of the myriad ways in which Australia's federal system influenced the behaviour and decisions of education policy makers at state and Commonwealth levels. Using John Kingdon's model of streams, windows and entrepreneurs (1984), I explained why Victoria's dramatic reforms proceeded so quickly and at this point of time when they had previously failed, and explained why the Commonwealth's schooling reforms were twisted and limited in the decision and implementation stages. This methodology allowed me to demonstrate the usefulness of these policy making models in federal contexts where government roles overlap. This concluding chapter now returns to the central research questions to elaborate my findings in relation to the respective influence of federalism on each my case studies and to distil the overarching lessons and major contributions. The chapter then outlines in greater depth the theoretical and policy significance of the findings and identifies limitations and future directions of this important work.

Revisiting the central research questions

What was the influence of federalism on policy making?

Victoria's Schools of the Future reforms and the Commonwealth's Choice and Equity reforms for private schools and associated revisions to its funding for public schools were described by policy elites within and beyond governments as unilateral reforms. This description was independently offered by all those interviewed. They all emphasised that their level of government had identified the policy problem *and* devised the policy response without prompting or influence by other governments in Australia; and they each considered other levels of government, and any intergovernmental consultation, agreement or activity as tangential. Tied grants from the

Commonwealth to the states were not found to have limited the Victoria government's policy autonomy or to have had a meaningful impact on the policy details or outcomes. The intergovernmental council of education ministers (the AEC and MCEETYA) was likewise described by all policy actors as having no direct influence on the policy making processes on these reforms, a claim supported by government archives and independent sources. The evidence suggests that unilateralism resulted in improved educational outcomes in Victoria following their school devolution reforms, but worse educational outcomes across Australia following the Commonwealth's own reforms. This suggests that school policy making by the Commonwealth is problematic, potentially given its administrative and geographical distance from school settings. I will return to this point when I discuss the significance and implications of this study.

However, despite each government describing their reform processes as unilateral in interviews and documentary sources, and no evidence of direct intervention or influence from other governments or intergovernmental councils or agreements, I found compelling evidence that federalism strongly and *indirectly* influenced these schooling reforms by Victoria's Kennett government and the Commonwealth's Howard government in multiple, previously unacknowledged ways. Firstly, the scope of the reforms pursued by each government was profoundly shaped by the constitutional allocation of responsibilities and the evolving political settlement; both levels of government *perceived* public schools to be the responsibility of the state governments, while private schools were *perceived as* largely the responsibility of the Commonwealth government. Consequently, the core components of Victoria's Schools of the Future reforms applied only to public schools; and the Commonwealth's new needs-based funding model was developed only for private schools. This political settlement, stemming from perceptions and practices over time, also influenced implementation. The Victorian government, which possessed direct links with schools from its management and delivery of the public school system, could get on with the business of implementing its reforms rapidly and independently. In contrast the Commonwealth, which likewise had developed its reforms unilaterally, remained reliant on state cooperation for implementation, as funding for private schools was delivered via tied grants through the states, which then passed the funding along to private school system authorities to allocate to their individual schools.

Another profound way in which federalism *indirectly* shaped the Victorian and Commonwealth reforms to school funding was through inter-jurisdictional comparisons and the policy laboratory

effect. This effect is one of the oft-cited benefits of federalism. Comparisons with other states' spending and outcomes (student performance in tests, school completions etc.) and their policy approaches informed the Victorian minister's preferred policy response – that is, devolving power and funding to schools and giving them greater autonomy; plus, a strengthened state-wide accountability and curriculum framework. The amounts spent by other states also determined the reduction in Victoria's spending on schooling, with the new spending per public school student deliberately matched against the national average. Following the implementation of these reforms and observations of their effects, other states adopted and adapted elements of Victoria's Schools of the Future for their own public school systems. These comparisons were facilitated by inter-jurisdictional reporting, in part impelled by reporting requirements in tied grants from the Commonwealth and earlier work undertaken by the Australian Education Council. For the Commonwealth reforms, the funding model chosen in the policy development phase was an adaption of SES models already in place in many states, where it had proven to be a successful funding allocation model and was familiar to many of the stakeholders. The policy laboratory impact was further enhanced by the movement of policy actors, such as Brian Caldwell and John Roskam, between jurisdictions.

Tied grants and the broader federal fiscal settlement was a third way in which federalism *indirectly* yet significantly facilitated the separate Victorian and Commonwealth reforms to school funding. In the Victorian case, the tied grants from the Commonwealth mediated against state-wide budget cuts, with education experiencing smaller expenditure reductions than other portfolios; thus, they facilitated the reform process by allowing greater resources to support schools' transition to the new funding and governance model. For the Commonwealth, vertical fiscal imbalance in the Commonwealth's favour meant the cabinet could decide to continue to provide funding to those private schools well above their estimated relative need.

Finally, federalism and the political settlement and perception of responsibilities *indirectly* shaped policy making at Victorian and Commonwealth levels, as it influenced with whom each government primarily consulted, and the forms and influence of this consultation. Victoria's education minister and his parliamentary colleagues met with every public school principal in the state, communicated directly with them through government newspapers and teleconferences, and leant heavily on their advice, even charging them with developing policy details such as guidelines for school charters. The Commonwealth, in contrast, considered the private school sectors to contain their primary

stakeholders. Consultation primarily took the form of meetings with representatives of the private school associations and system authorities, including parents' groups, rather than directly with each of the affected schools, principals or teachers.

Which model of federalism and which model of intergovernmental relations?

Both the coordinate and cooperative models of federalism were found to be inadequate reflections of reality in both the Victorian and Commonwealth case studies. While the reforming government in each case acted independently (suggesting the coordinate model), they were, as described above, profoundly and indirectly influenced by the policy laboratory, the actions of other governments, the movement of policy actors, the Australian Constitution and the federal fiscal settlement. This demonstrates the limitations of these theoretical models. Secondly, separate to their landmark reforms, each government was concurrently engaged in a number of other initiatives in school funding and schooling policy, including intergovernmental initiatives through and beyond the intergovernmental council of education ministers (The AEC and MCEETYA). I found that the nature of intergovernmental relations was dependent on the particular initiative being focused on at any one time, and could change multiple times over the course of a single meeting, depending on whether the agendas and actions of the different education ministers aligned. Each minister and government put its own agenda first.

This study demonstrated that the standard models of federalism and intergovernmental relations are simplistic and unrealistic reflections of the fluidity and complexity of intergovernmental relations and governance. Further, they risk imposing unproductive and artificial boundaries on policy thinking and practice. Federalism should instead be conceived of as a dynamic and sophisticated framework in which policy activity and intergovernmental relations can take multiple forms simultaneously. Such flexibility is likely to be of increased value in the face of the increasing complexity of public policy challenges, as it increases potential for creative responses. Findings from this study lead me to advocate for the term concurrent federalism which recognizes that policies are pursued concurrently and independently by multiple levels of government, responding to different policy problems, within a shared policy sphere, but still influencing each other, and with intergovernmental relations capable of taking multiple forms simultaneously.

Do the Australian Policy Cycle and 'Windows of Opportunity' models of policy making reflect reality in federal systems at state and Commonwealth levels?

My research design allowed me to critically evaluate the Australian Policy cycle (Bridgman and Davis 1998, 2004) and the 'streams, windows and entrepreneurs' model of policy making (Kingdon 1984) as descriptive and analytical tools in a federal policy making context and from an intergovernmental perspective. This is an important, new contribution to the understanding of these highly influential policy making models.

Not only was it found that these were helpful models in a federal context in spheres of overlapping responsibility (in line with the first hypothesis), it was also discovered that these policy making models were able to provide far greater insight into the reform processes and outcomes than the dominant models of federalism and intergovernmental relations critiqued earlier. It also became apparent that these policy making models were most useful when used in complement with each other. While both these policy making models were useful analytical tools, their descriptive value differed between the case studies undertaken.

To a remarkable degree, the process by which the SES model for allocating Commonwealth funding to private schools was developed was predicted by the Australian Policy Cycle model. The SES model was designed to tackle a clearly defined policy problem and was informed by Kemp's ideological conviction of the superiority of private schools and the exercise of parental choice as a method of driving improvement in all school sectors. The reform was prompted by growing, vocal complaints from the private school lobbies that the ERI model was unsatisfactory. Extensive consultation and research was undertaken by the Commonwealth education department prior to and during the formation of a sophisticated and robust funding model to replace the ERI. The policy development process was led by the department, and was slow and procedural, spanning terms of government, yet ultimately resulted in a suboptimal policy decision by cabinet, despite the minister and department's close adherence to the policy cycle model. Implementation would span a further two terms of government.

This is in marked contrast to Victoria's Schools of the Future reform, where the policy problem and framework was developed quickly, prior to winning government and independently of the public service, and where policy details were worked out concurrently with implementation, which began within months of the election and was mostly complete by the end of the Kennett government's first term.

While the Australian Policy Cycle was of limited explicative value for the Victorian reform, Kingdon's model was a very helpful analytical tool, shedding light on why these devolution reforms succeeded under Hayward in the Kennett Coalition government, but failed under Cathie in the Cain Labor government. It also provides some insight into the twisted fate of the Commonwealth's Choice and Equity policy, due in part to distance and the larger number of actors, which made it more difficult to carve out, maintain and exploit a policy 'window of opportunity'.

While its descriptive value differed between the Victorian and the Commonwealth case studies, the Australian Policy Cycle was a useful analytical tool to break down reform processes at both levels into eight discrete elements by which to examine the direct and indirect influences of federalism. It thus provided a much richer and more sophisticated understanding of the influence of federalism than had the study focused only on policy outcomes, on agenda-setting or on implementation.

Contributions

This was the first, qualitative, multi-case study of schooling policy reforms at state and Commonwealth levels that explicitly examined policy making processes and the influence of federalism on these processes. Through this unique research design, a contribution was made to methodology in the fields of education policy, policy making and political theory, showing that dominant models of federalism and intergovernmental relations are simplistic and unhelpful, and fail to reflect the complexity and dynamism of federalism in Australia in the 1990s.

I showed that intergovernmental relations vary significantly in a single period of time depending on the actors' agendas and alignment of interests, even when policy actors remain the same. This strengthens and extends the argument presented by Martin Painter that "intergovernmental cooperation is often tactical, and it will normally be temporary because it coexists with competition and conflict within and across issues ... it occurs where parties see the possibility of mutual benefit" (Painter 1996: 106) and the overriding influence of pragmatism in influencing political decisions with respect to Australian federalism (Hollander and Patapan 2007). This affirms my second hypothesis, that actors only employ or engage with intergovernmental institutions and processes when they deem it to be in their best interests, leading to different use of these institutions and processes according to political party, ideology, purpose, conjecture and support given other governments and other policy actors. In other words, the form, strength and use of

intergovernmental institutions such as the ministerial councils for education depend upon the constellation of actors, their objectives and opportunities.

Intergovernmental institutions and agreements were found to be of negligible influence on the Victorian and Commonwealth reforms that were examined. Yet national initiatives were pursued simultaneously in intergovernmental forums. This suggests that governments compartmentalize separate initiatives and take different approaches to each, and view their core reforms as separate to intergovernmental initiatives. This doctoral study also suggests that highly formal and institutionalised intergovernmental agreements and institutions are not necessarily required for effective intergovernmental relations, nor are they predictive of stronger outcomes. Progress on national curriculum statements stalled after the AEC was reconstituted into a more formal ministerial council, in large part due to changes in the partisan composition of the Council. However, even when intergovernmental councils were composed of ministers from different political parties, substantial progress was made when ministers' interests aligned on other initiatives, such as the Adelaide Declaration of National Goals for Schooling in the Twenty-first Century and national literacy tests.

This was the first detailed case study of Victoria's 'Schools of the Future' reforms and of the Commonwealth's 'Choice and Equity' reforms from an intergovernmental perspective. These reforms had been previously conceptualised as unilateral, but my methodology allowed me to discern influential factors such as the fiscal settlement, the policy laboratory effect, movement of policy actors, and perceptions of policy responsibilities, that stemmed from Australia's federal system. In doing so, I contributed a much more nuanced understanding of these landmark reforms and how they had been shaped by federalism.

The Victorian case study provided evidence in support of my hypothesis that Australian states continued to exercise autonomy in the schooling portfolio, as intended by the Australian Constitution. This is counter to my fourth hypothesis and widely held views among Australian scholars and policymakers that the expansion of Commonwealth policy activity in state domains through tied grants restricted state autonomy. I instead found that these grants facilitated the Schools of the Future innovations rather than hindered them. Further, reporting requirements in these grants promoted inter-jurisdictional comparison, and horizontal and vertical policy transfer through a policy laboratory effect. This policy laboratory and diffusion effect was likely enhanced by the horizontal fiscal equalisation payments. Evidence from these cases suggests that tied grants

are more effective at improving educational outcomes when they allow states greater flexibility and support state initiatives. The greatest influence on the response of other Australian governments to the reforming government was not conditionality of grants or partisanship, but conjecture and the alignment of interests including re-election chances and policy agendas, in broad accordance with my third hypothesis.

Prescriptive and restrictive conditions in Commonwealth tied grants did not appear to increase state accountability or the attainment of Commonwealth directives, but it did contribute to intergovernmental hostility, with potential flow-on effects to national policy initiatives.

My research findings support and extend the argument that federal systems are essentially “marble cakes” (Grodzins 1966) with significant intervening of roles, responsibilities and activities among different levels of government. I further demonstrated that the marble cake analogy applied to Australian schooling policy in the 1990s, in addition to applying to the whole country in that period (as Wiltshire 1992 has argued). My findings complement similar analysis in the Canadian context (Bakvis and Skogstad 2008), extending theoretical knowledge of federal systems. This interweaving of roles and responsibilities doesn’t necessarily imply coordinated or meaningful collaboration. State governments in this study were found to be able to ‘get on with their business’ without interference from other levels of government. Scholars and policy makers need to move beyond the coordinate/ cooperative dichotomy and stop trying to impose artificial and impractical boundaries that suppose sovereign spheres where one level of government reigns supreme. Pursuit of this outmoded conception could reduce some of the benefits offered by federal systems, such as the insurance mechanism. Powers are shared, not divided. But how they are shared could be significantly improved. This study therefore also builds upon and refines work of Monroe (2001) and Painter (1998) on de facto federalism and models of concurrency; and the work of Landau (1969) and Hollander (2010) on the protective value of overlap. This study also refutes the corporate model of federalism proposed by Lingard (1991; 1993), endorses the policy laboratory effect, and furnishes new evidence in support of recommendations made by the Council for the Australian Federation (2007) and Vijaya Ramamurthy (2012) on tied grants: that they offer potential for enhanced policy outcomes, but only if are they not prescriptive and not developed unilaterally.

Why this research matters

This doctoral study examined two landmark school policy reforms from the 1990s within their broader intergovernmental context. It did not examine Australia's whole schooling system, then or now. The view from a microscope differs from that of a telescope, but both provide necessary information and enhance understanding.

Intergovernmental roles, responsibilities and relations have further evolved in the schooling portfolio since the time from which these Victorian and Commonwealth case studies were drawn. The Commonwealth has become ever more involved in school funding and policies via more prescriptive tied grants. It continues to make decisions in this sphere largely independently of the states. This is despite the 2008 National Education Agreement, which purported to return policy autonomy to the states through fewer tied grants and less restrictive tied grants whereby the states and the Commonwealth would work collaboratively towards mutually agreed goals (COAG 2008b). Old habits die hard, and the conditions imposed by the Commonwealth on these broader and more flexible grants to the states rapidly multiplied in the following years, as did separate, largely unilateral Commonwealth programmatic interventions in schooling. The strength of the ministerial councils for education and the Council of Australian Governments has waxed and waned as its composition and agenda has shifted. New institutional players also have arisen, including the Australian Curriculum Assessment and Reporting Authority, which administers and analyses the new National Assessment Program in Literacy and Numeracy, and the Council for the Australian Federation.

These changes reinforce the central argument advanced in this thesis that the institutions, instruments and relations that together form Australian federalism are highly dynamic and flexible, and that actors in Australia's political systems are deeply pragmatic in their use of policy instruments.

Further developments in schooling appear to reinforce my findings on Commonwealth interventions. Parallel with the dramatic increase in the Commonwealth's funding and policy intervention in schooling via tied grants since 2000, there has been stagnation or decline in school students' learning outcomes in relative and absolute terms as measured by national and international standardized tests (ACARA 2015; Thomson et al 2013), and widening inequalities in schooling outcomes between students from the most advantaged and least advantaged

backgrounds and between metropolitan and rural locations (Lamb et al. 2015; Review of Funding for Schooling 2011). This suggests that unilateral decision making by the Commonwealth, made at a distance from schools and independent of the responsibility of providing schooling to all students, and efforts to enhance school choice, has resulted in sub-optimal policies and an inefficient allocation of resources which has contributed to the exacerbation of inequalities. Over this period, funding to public and private schools has increased significantly, but funding to private schools has increased at twice the rate of public schools funding increases – in large part to the Howard government’s decision in relation to the SES model - far outstripping the private school sector’s increase in enrolment share, and completely disproportionate to the educational needs of their students relative to those in public schools (McMorrow and Connors 2015).

My findings provide insight into potential ways of improving policy making and outcomes in the schooling portfolio. They suggest that it would be better for the Commonwealth to significantly retreat from this policy space. Tied grants should be used sparingly, be focused on broad, shared objectives and be used to support state initiatives and genuine national priorities which would be determined intergovernmentally. These grants should also be flexible – as they were during Schools of the Future – to allow for state policy innovation and adaptation to local needs and preferences. This research suggests that states are in a better position to determine the relative needs of schools and allocate funding accordingly. They are also better placed to develop and implement schooling policy. It could be further argued that state governments are less likely to make funding decisions based on political and ideological concerns decisions when they are fully aware of, and responsible for, the impact of such decisions on the education of all students in their jurisdiction.

The Commonwealth could retain a supporting role, but should not seek to push reforms onto the states or unsettle their school systems via prescriptive tied grants. These refinements, combined with the presence of ACARA and initiatives such as MySchool and NAPLAN could facilitate information sharing, inter-jurisdictional comparisons and learning, and thus likely also enhance the innovation, policy laboratory and policy tailoring features of our federal system. This research suggests that tied grants are a weak policy tool, that they can have unintended and perverse effects, and can be difficult to assess. However, it also contends that they can still play a beneficial role in certain circumstances, and that their use should be reduced and limited to supporting state initiatives and intergovernmental priorities. This would maintain the insurance mechanism and flexibility provided in the Australian Constitution, while minimising perverse effects. Decreased

use of tied grants would ideally translate into larger untied grants to states, providing states with a larger revenue base for schooling and other responsibilities. This refined settlement would mean the responsibilities for funding, policy development, policy delivery and evaluation would be aligned at state level, theoretically enhancing accountability, subsidiarity, policy cohesion and educational outcomes, but still maintaining scope for flexibility when required and agreed upon between governments in order to respond to new policy challenges, and for the retention of the valuable insurance mechanism. These insights are of great significance to the current White Paper on the Reform of the Federation White Paper, and have been compiled in a published policy paper (Hinz 2015) that was well received by officials within Premier's Departments, the offices of state ministers, federal politicians and the expert advisory panel to the White Paper, indicating recognition of the relevance and significance of this original research.

Limitations of the study

Every study has limitations and this one is no different. A broader study that investigated every Australian state's education policy activity to more fully capture all intergovernmental exchanges and influences, and comparison with contemporary state and Commonwealth reform initiatives would have been preferable. However, the time and resource constraints inherent in a doctoral study made this impossible. Furthermore, current government ministers and public servants would likely have not had the time or ability to participate in lengthy and frank discussions, which would have limited the value of examining current reforms. While interviews with policy elites can present a distorted or incomplete vision of the past, they are still an invaluable source of data, particularly as it pertains to perceptions of roles and responsibilities in Australia's dynamic, intergovernmental political settlement and how these influence policy making. Every effort was made to substantiate claims put forward by policy actors using data from a number of government and independent sources. Despite these limitations, I remain confident that the chosen research design allowed for close-range information gathering and provided useful building blocks for future comparative work and new insights into contemporary debates and processes influencing these landmark reforms.

There are three natural extensions of this doctoral study, all of which respond to the limitations outlined above. These directions could form a multi-stage study that would test my findings in new contexts and determine whether they are generalizable, which would further build theoretical

knowledge relating to federalism and policy studies. An extension of this work and the deeper knowledge it could elicit could also contribute to policy making, such as the design of tied grants and pursuit of intergovernmental relations or intergovernmental programs to maximise their effectiveness in terms of improved educational outcomes and equity.

The first direction is an examination of school funding reforms from other states in the 1990s, the same period investigated in the case studies during this doctoral study. The second direction would be to contrast reforms from the 1990s with reforms since 2008, when the Council of Australian Governments signed up to the Intergovernmental Agreement of Federal Fiscal Relations and the National Education Agreement. An examination of the Gillard and Rudd government's National Plan for School Improvement, a unilateral Commonwealth policy platform that required detailed bilateral agreements with each state for implementation, would also be a rich case study that could deepen our understanding of this dynamic sphere and how power balances and institutions have changed in recent years. Finally, I would like to extend the comparative analyses I have begun with data and fieldwork from Canada and the United States.

Concluding remarks

The findings from this doctoral study indicate that Australian federalism in areas of concurrent responsibility transcends major models of federalism and intergovernmental relations, but that models of policy making were useful analytical tools, even where their descriptive value differed.

While each of the governments examined acted unilaterally in their policy making processes, federalism was found to have a profound, indirect influence on both the Victorian and Commonwealth reforms. The dominant models of federalism did not adequately reflect this reality. Similarly intergovernmental relations took multiple forms in a single period and even a single meeting, demonstrating the inadequacy of clear-cut models of intergovernmental relations. For both the state and Commonwealth case studies, federalism facilitated rather than obstructed reform. Virtuous aspects of federalism (such as the policy laboratory, tailoring of policies to suit local priorities, insurance mechanism and enabling reform) and perverse aspects (such as uncoordinated decision making and poor resource allocation) were found to be present.

Conceiving of Australian federalism as concurrent federalism appreciates this fluidity and sophistication, and acknowledges that governments act independently and pragmatically even in

portfolios where roles overlap. This arrangement provides greater potential to achieve or to frustrate reforms in education. This dynamism of institutions and relations offers important insights for policymakers and researchers seeking to improve their understanding of federalism and of strategies for the improvement of processes and policies at state and Commonwealth levels. This study suggests that concurrency provides benefits, but that the states remain better placed than the Commonwealth to develop, implement and evaluate schooling reforms. Evidence further suggests that tied grants can promote state policy autonomy, responsiveness and the laboratory effect, but only if they are flexible on inputs and policy instruments, allowing the states to develop or adapt policies best-suited to their circumstances. The Commonwealth's limited knowledge and greater distance from schools make prescriptive and punitive grants a potentially dangerous and perverse influence on schooling, and are unlikely to contribute to enhanced policy making processes or improved educational outcomes.

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APPENDIX A: LIST OF INTERVIEWEES

Caldwell, Brian, 9 February 2010, Melbourne.

Daniels, Bill, 28 March 2011, Melbourne.

Evans, Chris, 3 June 2011 and 7 June 2011, Melbourne.

Hayward, Don, 13 January 2010, Melbourne.

Keating, Jack, 25 October 2010, Melbourne.

Kemp, David, 23 March 2011, Melbourne.

Marshall, Graeme, 18 November 2009, Melbourne.

Roskam, John, 9 June 2011 and 18 December 2009, Melbourne.

Senior Commonwealth Public Servant (SCPS) 3 May 2011, Melbourne.

APPENDIX B: COMMON INTERVIEW QUESTIONS

1. Please describe your role in the development or implementation of [the reforms].
2. What factor(s) prompted [the reforms]? What were the biggest driving forces when developing [the reforms]?
3. How would you describe the nature and degree of collaboration with other Australian governments / education departments when designing and implementing these reforms?
4. What prompted the collaboration and to what extent did it shape [the reforms]?
5. In your view, to what extent were the reforms implemented unilaterally? (I.e. was intergovernmental cooperation required? What form(s) did it take? Tied grants? Intergovernmental agreements?)
6. How would you describe the nature and degree of collaboration with the stakeholders listed below when developing and implementing [the reforms]? What prompted the collaboration and to what extent did it shape [the reforms]?
 - a. Government schools and their peak bodies
 - b. Catholic schools and Catholic education authorities
 - c. Non-government schools and associated peak bodies
 - d. Teacher unions
 - e. Other? (e.g. other politicians or political advisers, organizations, institutions, academics, overseas governments ?
7. In your view, how and to what extent were [the reforms] facilitated by federalism (inc division of responsibilities, intergovernmental structures, processes, institutions)
8. In your view, how and to what extent were [the reforms] obstructed by federalism (inc division of responsibilities, intergovernmental structures, processes, institutions)
9. In your view, what else facilitated, obstructed or shaped [the reforms]?

10. Do you know if/how [the reforms] affected school funding policies federally or in other Australian states?
11. In your view, do you believe [the reforms] have affected Australia's evolving federal system?
12. Do you consider [the reforms] to be an accurate example of how federalism can shape school funding policy making in Australia at state/federal/intergovernmental level?
13. Which model(s) of intergovernmental relations best reflect IGR at that time? E.g. cooperative, collaborative, coordinate, or competitive, coercive, others?
14. Do you believe [the reforms] are correspond with broadly-held notions of Australian federalism (incl. state and federal roles, extent of intergovernmental collaboration)?
15. In your view, are reforms to school funding different to other areas of overlapping state and federal policy activity, in the nature and degree of intergovernmental collaboration?
16. Generally speaking, in your view, how would you describe the effect of federalism on Australian policy-making?
17. Who do you consider the five most important people involved in [the reforms]? Is there anyone else you suggest I speak to?
18. Is there anything else about [the reforms] or federalism you wish to discuss?

APPENDIX C: THE PLAIN LANGUAGE STATEMENT AND CONSENT FORM PROVIDED TO INTERVIEW PARTICIPANTS

Plain language statement for interview participant

"The implications of federalism for the creation and reform of school funding settlements"

You are invited to participate in the above research project, which is being conducted by Professors Brian Galligan and Jack Keating (supervisors) and Ms Bronwyn Hinz (PhD candidate) of the School of Social and Political Sciences, and the Melbourne Graduate School of Education at The University of Melbourne. You have been chosen to participate due to your involvement with critical education policy reforms in the 1990s which are being studied as part of Ms Hinz's doctoral thesis. Your name and contact details were identified from the policy and academic literature and publicly available documents by Ms Hinz in consultation with Professors Galligan and Keating. The study has been approved by the Human Research Ethics Committee at the University of Melbourne.

The aim of this study is to investigate whether, how and to what extent federalism affects school funding arrangements in Australia. The study concentrates on the institutional frameworks, intergovernmental processes and politics associated with reforms to Australian school funding arrangements in the 1990s at the state, federal and intergovernmental levels.

We would ask you to participate in an interview of about two hours, so that we can get a picture of your knowledge and understanding of the process of education policy making in Australia. With your permission, the interview would be audio-recorded so that we can ensure that we have an accurate record of what you say. You would be provided with a copy of the recording, so that you can verify that the information is correct and/or request deletions.

You are being asked to participate as a person with professional knowledge and experience in the process of education policy making and implementation. The content of the interview will be used by the researchers to better understand the way in which education policy is developed and implemented in federations such as Australia. The information you provide may form part of the completed thesis which may be published.

In this type of project it is normal to give the names of people who have contributed information. We would like to seek your permission to use your name in the final thesis. If you would prefer

some comments to be made anonymously, you could indicate this during the interview, or when you listen to the tape-recording. If for any reason you choose not to be named, we would refer to you by a pseudonym and remove any contextual details that might reveal your identity. We would protect your anonymity to the fullest possible extent within the limits of the law. However, given the nature of the research study and the small number of people we seek to interview, it might still be possible for someone to identify your participation in any publication of the final research.

Your name and contact details will be kept in a separate, password-protected computer file, and separate to the interview recordings, which will be kept in a locked drawer, both of which are accessible only to Ms Hinz. The data will be kept securely at the University of Melbourne for a minimum of five years from the date of publication, after which you can request it be destroyed.

Once the thesis arising from this research has been completed, a copy of the findings will be available to you on application at the School of Social and Political Science. It is also possible that the research results will be presented at academic conferences in and journal articles.

Please be advised that your participation in this study is completely voluntary. Should you wish to withdraw at any stage, or to withdraw any unprocessed data you have supplied, you are free to do so.

If you would like to participate, please indicate that you have read and understood this information by signing the accompanying consent form. Alternatively, you can indicate your consent during the recorded interview. The researchers will be in contact with you shortly to ascertain your interest and, should you agree, schedule an interview.

Should you require any further information, or have any concerns, please do not hesitate to contact Ms Hinz (0402 077 976) or Professor Galligan (8344 3400). Should you have any concerns about the conduct of the project, you are welcome to contact the Executive Officer, Human Research Ethics, The University of Melbourne, on ph: 8344 7507, or fax: 9347 6739.

Kind regards,

Bronwyn Hinz (PhD Candidate),

Brian Galligan (Primary Supervisor)

Jack Keating (Associate Supervisor)



SCHOOL OF SOCIAL AND POLITICAL SCIENCES

Consent form for persons participating in a research project

PROJECT TITLE:

The implications of federalism for the creation and reform of school funding settlements.

Name of participant:

Name of investigator(s): Bronwyn Hinz, Brian Galligan, Jack Keating

1. I consent to participate in this project, the details of which have been explained to me, and I have been provided with a written plain language statement to keep.
2. I understand that my participation will involve an **interview** and I agree that the researcher may use the results as described in the plain language statement.
3. I acknowledge that:
 - (a) the possible effects of participating in the **interview** have been explained to my satisfaction;
 - (b) I have been informed that I am free to withdraw from the project at any time without explanation or prejudice and to withdraw any unprocessed data I have provided;
 - (c) the project is for the purpose of research;
 - (d) I have been informed that the confidentiality of the information I provide will be safeguarded subject to any legal requirements;
 - (e) I have been informed that with my consent the interview will be audio-recorded and I understand that audio-records will be stored at University of Melbourne for a minimum of 5 years following publication, after which, I can request they be destroyed;
 - (f) I have been informed that due to the small number of people who will be interviewed, this may make it easier to identify my participation in the research.
 - (g) I will have the option of answering individual questions anonymously, in which case I can be referred to by a pseudonym in any publication arising from the research.
 - (h) I have been informed that a copy of the research findings will be available to me.

I consent to this interview being audio-recorded

yes **no**
(please tick)

Signature

Date

(Participant)

APPENDIX D: THE ADELAIDE DECLARATION OF NATIONAL GOALS FOR SCHOOLING IN THE TWENTY-FIRST CENTURY

Preamble

Australia's future depends upon each citizen having the necessary knowledge, understanding, skills and values for a productive and rewarding life in an educated, just and open society. High quality schooling is central to achieving this vision.

This statement of national goals for schooling provides broad directions to guide schools and education authorities in securing these outcomes for students.

It acknowledges the capacity of all young people to learn, and the role of schooling in developing that capacity. It also acknowledges the role of parents as the first educators of their children and the central role of teachers in the learning process.

Schooling provides a foundation for young Australians' intellectual, physical, social, moral, spiritual and aesthetic development. By providing a supportive and nurturing environment, schooling contributes to the development of students' sense of self-worth, enthusiasm for learning and optimism for the future.

Governments set the public policies that foster the pursuit of excellence, enable a diverse range of educational choices and aspirations, safeguard the entitlement of all young people to high quality schooling, promote the economic use of public resources, and uphold the contribution of schooling to a socially cohesive and culturally rich society.

Common and agreed goals for schooling establish a foundation for action among State and Territory governments with their constitutional responsibility for schooling, the Commonwealth, non-government school authorities and all those who seek the best possible educational outcomes for young Australians, to improve the quality of schooling nationally.

The achievement of these common and agreed national goals entails a commitment to collaboration for the purposes of:

- further strengthening schools as learning communities where teachers, students and their families work in partnership with business, industry and the wider community
- enhancing the status and quality of the teaching profession
- continuing to develop curriculum and related systems of assessment, accreditation and credentialling that promote quality and are nationally recognised and valued
- increasing public confidence in school education through explicit and defensible standards that guide improvement in students' levels of educational achievement and through which the effectiveness, efficiency and equity of schooling can be measured and evaluated.

These national goals provide a basis for investment in schooling to enable all young people to engage effectively with an increasingly complex world. This world will be characterised by advances in information and communication technologies, population diversity arising from international mobility and migration, and complex environmental and social challenges.

The achievement of the national goals for schooling will assist young people to contribute to Australia's social, cultural and economic development in local and global contexts. Their achievement will also assist young people to develop a disposition towards learning throughout their lives so that they can exercise their rights and responsibilities as citizens of Australia.

National Goals

19. Schooling should develop fully the talents and capacities of all students. In particular, when students leave schools they should:

- 1.1. have the capacity for, and skills in, analysis and problem solving and the ability to communicate ideas and information, to plan and organise activities and to collaborate with others
- 1.2. have qualities of self-confidence, optimism, high self-esteem, and a commitment to personal excellence as a basis for their potential life roles as family, community and workforce members
- 1.3. have the capacity to exercise judgement and responsibility in matters of morality, ethics and social justice, and the capacity to make sense of their world, to think about how things

got to be the way they are, to make rational and informed decisions about their own lives and to accept responsibility for their own actions

- 1.4. be active and informed citizens with an understanding and appreciation of Australia's system of government and civic life
- 1.5. have employment related skills and an understanding of the work environment, career options and pathways as a foundation for, and positive attitudes towards, vocational education and training, further education, employment and life-long learning
- 1.6. be confident, creative and productive users of new technologies, particularly information and communication technologies, and understand the impact of those technologies on society
- 1.7. have an understanding of, and concern for, stewardship of the natural environment, and the knowledge and skills to contribute to ecologically sustainable development
- 1.8. have the knowledge, skills and attitudes necessary to establish and maintain a healthy lifestyle, and for the creative and satisfying use of leisure time.

2. In terms of curriculum, students should have:

- 2.1. attained high standards of knowledge, skills and understanding through a comprehensive and balanced curriculum in the compulsory years of schooling encompassing the agreed eight key learning areas:
 - the arts;
 - English;
 - health and physical education;
 - languages other than English;
 - mathematics;
 - science;
 - studies of society and environment;

- technology;
 - and the interrelationships between them
- 2.2. attained the skills of numeracy and English literacy; such that, every student should be numerate, able to read, write, spell and communicate at an appropriate level
 - 2.3. participated in programs of vocational learning during the compulsory years and have had access to vocational education and training programs as part of their senior secondary studies
 - 2.4. participated in programs and activities which foster and develop enterprise skills, including those skills which will allow them maximum flexibility and adaptability in the future.

3. Schooling should be socially just, so that:

- 3.1. students' outcomes from schooling are free from the effects of negative forms of discrimination based on sex, language, culture and ethnicity, religion or disability; and of differences arising from students' socio-economic background or geographic location
- 3.2. the learning outcomes of educationally disadvantaged students improve and, over time, match those of other students
- 3.3. Aboriginal and Torres Strait Islander students have equitable access to, and opportunities in, schooling so that their learning outcomes improve and, over time, match those of other students
- 3.4. all students understand and acknowledge the value of Aboriginal and Torres Strait Islander cultures to Australian society and possess the knowledge, skills and understanding to contribute to and benefit from, reconciliation between Indigenous and non-Indigenous Australians
- 3.5. all students understand and acknowledge the value of cultural and linguistic diversity, and possess the knowledge, skills and understanding to contribute to, and benefit from, such diversity in the Australian community and internationally

3.6. all students have access to the high quality education necessary to enable the completion of school education to Year 12 or its vocational equivalent and that provides clear and recognised pathways to employment and further education and training.



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