

## Strategy that gets top marks

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*Teacher quality is the key to better student performance and productivity, write **John Daley and Ben Jensen.***

Investing in the quality of teaching in our schools and of early childhood education will provide greater returns to individuals and the economy than any initiative on the reform agenda today.

For each extra year of education, the average Australian can expect to earn 5 to 12 per cent more a year. These figures are in line with international evidence that estimates returns of about 10 per cent. Years of schooling, along with initial income, explain roughly one-quarter of variation in countries' GDP.

However, quality matters more than quantity. Student performance rather than years of schooling explains nearly three-quarters of variation in countries' GDP. Improving Australian standards to world best practice would add up to 0.7 per cent to GDP every year – adding 17 per cent to Australian incomes by 2060. This would dwarf the impact of major reforms over the past few decades such as tariff reforms, the national competition policy or the GST package.

And better education has vital non-economic benefits such as contributing to wellbeing, health, social mobility and reduced crime rates. It is the most important single area to get right in public policy.

Improving student performance is not easy. How can it be achieved, and which measures would make the most difference? It's worth starting with the evidence of "what works", which sounds elementary, but has not always been a feature of Australian education policy making.

Investment in Australian education has not been lacking. We spend more per student on school education than the average for Organisation of Economic Co-operation and Development countries. But it has not been well targeted. Between 1964 and 2003, funding for the school education sector (government funding for both public and private education) rose by 258 per cent but numeracy test results fell by 1.1 points.

The story of increasing expenditure but stagnant outcomes has continued in more recent years. The increased expenditure was largely spent on reducing class sizes, even though the evidence of over 60 studies shows class sizes have at best a marginal impact on performance.

Greater investment in early childhood education is proving successful in many countries. It increased in Australia when the 2008 federal budget included \$2.4 billion (over a five-year period) for early childhood education and care. But this improves on a very low base. In 2006, Australia spent only 80 per cent of the OECD average per student in pre-primary education.

The popularity of these programs rests on research detailing the diverse benefits from early childhood services. Disadvantaged children benefit most, and early childhood interventions have been shown to improve their rates of school completion, university attendance and workforce participation. Some programs have created returns of \$16 for every dollar invested.

But the large returns are confined to targeted interventions for the most needy, where most of the returns are reduced costs for the criminal justice system. There is less evidence that there are good returns from costly initiatives to roll out early childhood services to the entire population.

For the greater population, the evidence shows that improving the quality of Australia's teachers will create the greatest improvements in student performance, and the consequent economic and social benefits. Conservative estimates suggest a student with an excellent teacher can achieve in six months what would take a full year with a less effective teacher. For a student starting in the middle of

their year group, three years in a row of good teachers can help them to be ranked in the top 25 per cent; three years of less successful teaching would leave them in the bottom 25 per cent.

Improving teacher quality is the main reform to improve student performance and result in the economic and social benefits suggested above. The returns to education will be large for individuals, but greater for the Australian community, if we develop an ambitious evidence-based education reform agenda.

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