MEDIA RELEASE

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New national economic model maps government investment in skills and technical education

New balance required across Australia’s tertiary education funding

A new economic model for Australia’s technical and vocational education sector was launched today, mapping how additional investment in skills and technical education boosts employment and supports productivity.

Cost-benefit analysis and returns from additional investment in Vocational Education and Training, was prepared by Canberra-based Independent Economics, under an Australian Government commissioned contract with TAFE Directors Australia.

The Econometric Model included support from three Australian Industry Skills Councils, and included for the first time analysis of how ‘skill sets’ or modules within Training Package accredited qualifications may also contribute to employment, and productivity.

The Independent Economics (IE) modelling report was released at the TDA 2013 National Conference in Brisbane. The conference will include presentations by Chris Murphy, director of Independent Economics. The Conference will also feature Federal Labor Employment, Skills and Training Minister, Brendan O’Connor, and the Shadow Minister for Employment Participation, Sussan Ley.

The Econometric Model charts how funding for technical and vocational education provides multiple economic benefits supporting higher living standards and a strong boost to employment.

It shows the significant economic gains that arise from investing in additional technical and vocational education, focussing on the employability of VET students and productivity of employees with either full or partial VET qualifications. Skill sets have increasingly been an issue raised across several industries, deserving separate VET funding.

As well as a more skilled workforce, there is also a significant expansion of industries that are relatively dependent on VET skills, including manufacturing, automotive repair and personal services.
At the macro level, there are permanent gains to real gross domestic product (GDP) and employment.

The report tracks the very high rate of return of 18% on additional government investment in VET. This high rate of return on additional investment in VET comprises three different groups of VET students, defined as those participating at Certificate III or above including:

- Students who complete/graduate with a VET qualification at a higher level than their previous qualifications
- Students who complete modules at a higher level than their previous qualification
- Students who complete either whole qualifications or modules at the same or a lower level than their previous qualification

The IE Report finds that additional government and private funding commitments of $2.7 billion over the period 2013-2017 will result in net benefits of $13.4 billion.

It also outlines a “further expansion scenario” involving $6.7 billion in additional funding over the five-year period, which produces net benefits of $32.5 billion.

However, the report shows that at current levels, investment in the sector will be insufficient to address the significant levels of individual and industry unmet demand for vocational training places.

The Chief Executive of TDA, Martin Riordan, said the report provides a compelling case for a systemic review of tertiary education funding, and substantial ongoing government investment across technical and vocational education.

“Every dollar invested by government produces significant economic and social benefits through increased productivity, participation and improved living standards,” Mr Riordan said.

He added: “As we have long suspected, investment in technical and vocational education has a substantial multiplier effect that effectively turbo charges the economy and helps people move to higher-skilled and more rewarding jobs.”

See the report, an executive summary and TDA’s policy position paper at the TDA website.

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