



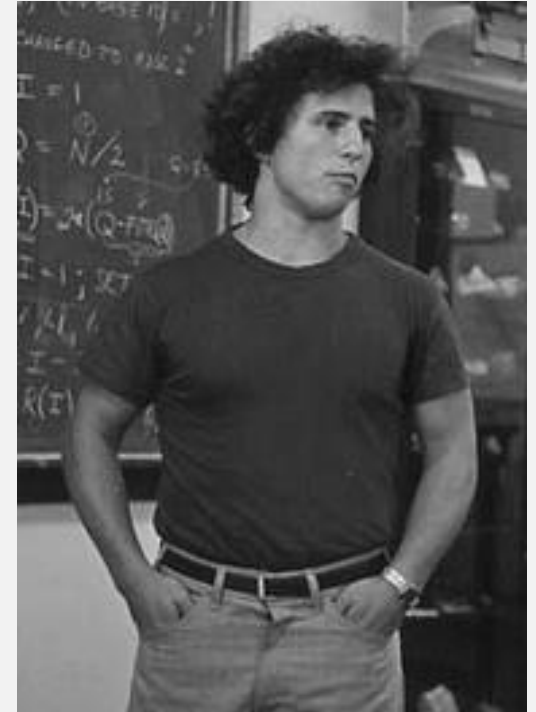
Inequality in Australia: What can vocational education and training do?

Dr Don Perlgut, CEO, Community Colleges Australia, 7 June 2018

Dedication

We should never
separate the lives
we live from the
words we speak.

(Paul Wellstone, *The Conscience of a Liberal: Reclaiming the Compassionate Agenda*, University of Minnesota Press, Minneapolis, 2001, p. ix)



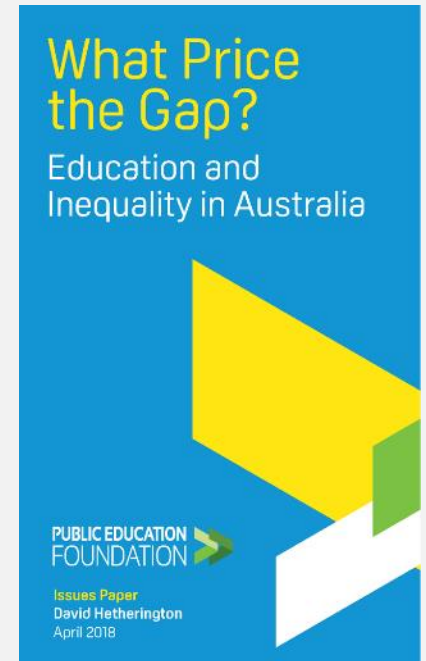
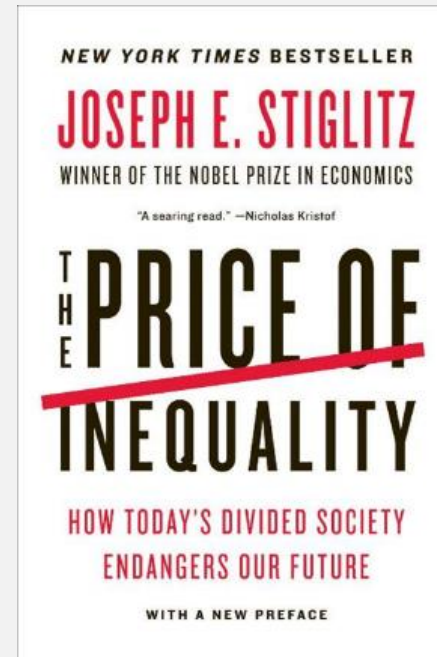
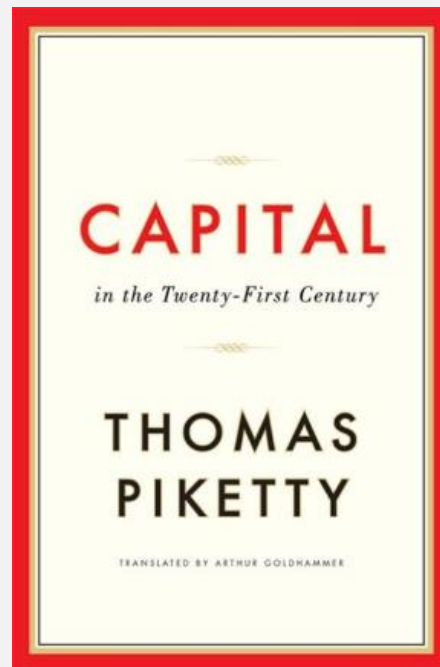
Senator Paul Wellstone (1944-2002)

Today's Key Messages

1. Income and wealth inequality in Australia is a problem.
2. We can tackle Australian inequality through vocational education and training (VET), one of our greatest equalisers.
3. Australia's VET system needs more resources and reform: too focussed on private profit and not enough on social and economic outcomes.
4. The not-for-profit community VET sector is an under-utilised resource.



The “Economic Moment”: Concern for Growing Inequality



Economic Inequality in Australia



Reserve Bank, Martin Place, Sydney, August 2017



How unequal?
Insights on inequality
April 2018

>ceda



**INEQUALITY IN AUSTRALIA
A NATION DIVIDED**

Inequality in Australia 2015
The first edition of Inequality in Australia, part of the 'Poverty and Inequality in Australia' series from the Australian Council of Social Service.

Drivers of Australian inequality?

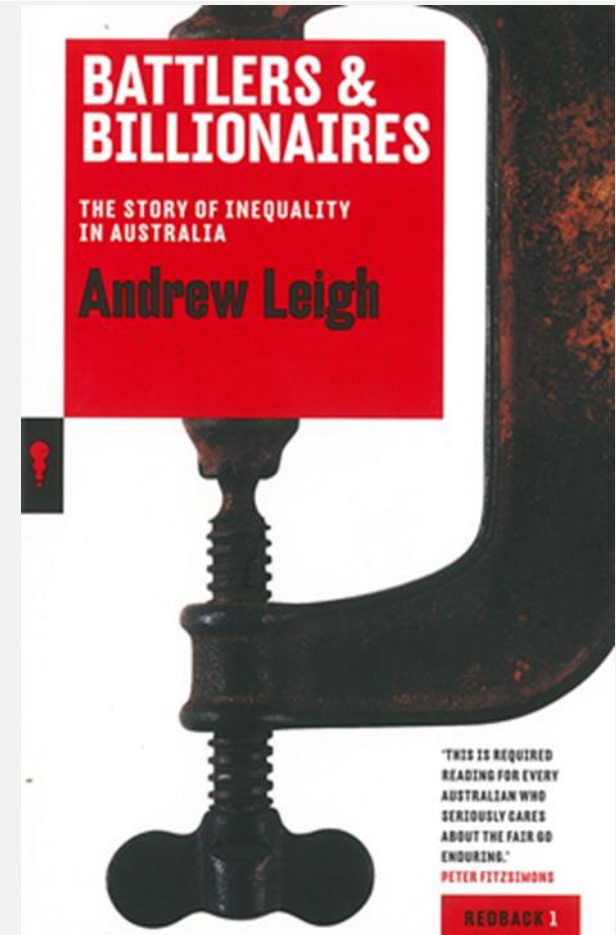
Decline of union membership: from 49% in 1982 to 40% in 1992 to 30% in 1997 to 20% in 2006 to 15% in 2016.

Technology & globalisation: increases wages of those higher on distribution ladder. Hourly wages going “U” shaped, hollowing out the middle, and creating a “gig” economy.

Taxes & transfers: reduction in top marginal tax rates, tax loopholes that favour the wealthy and reduction in transfers to the lowest end.

Market concentration: Most Australian industries have concentrated markets, which disadvantages the poor.

Educational disadvantage: growing gap between top and bottom, and persistent adult literacy & numeracy.



Source: http://www.andrewleigh.com/explaining_the_rise_of_australian_inequality_just_ideas_talk_2_speech & http://www.andrewleigh.com/speech_how_can_we_reduce_inequality_anu_crawford_school_of_public_policy

The Top 1% vs the Rest

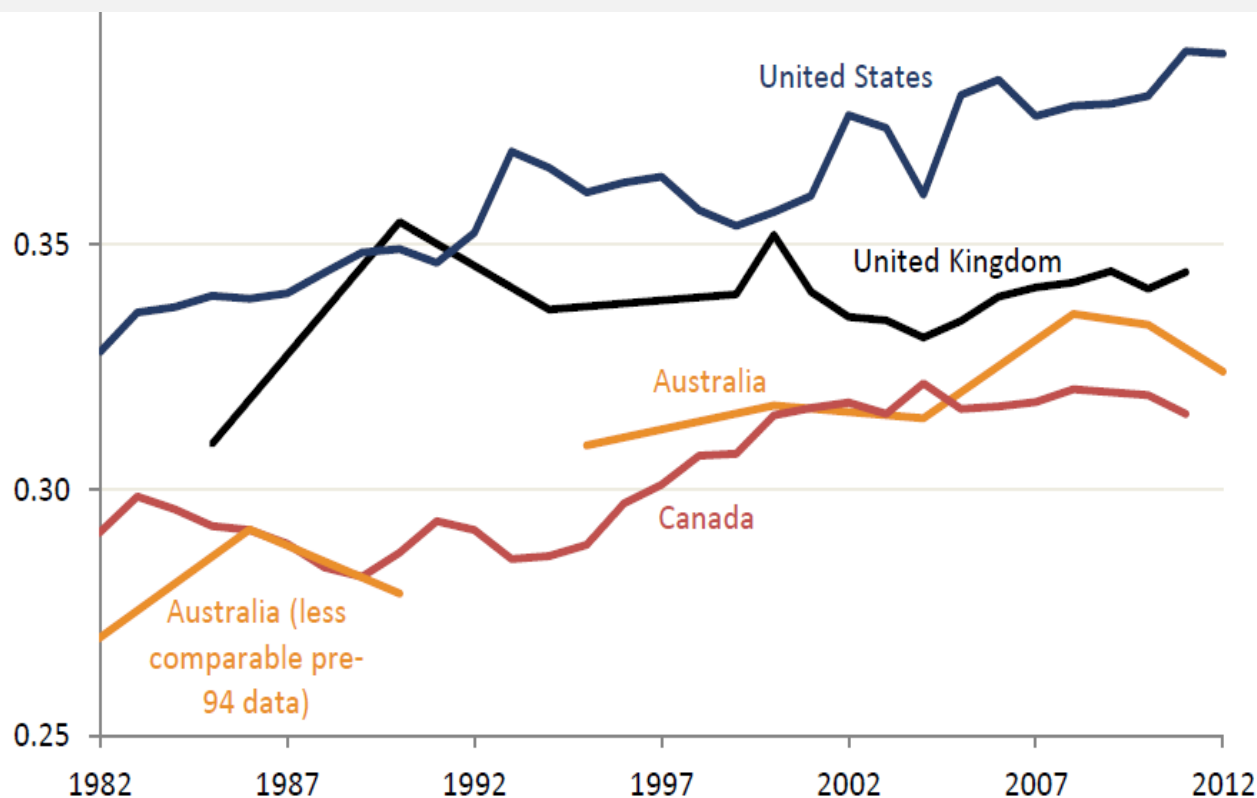


"Today the top 1 percent earn a higher share of our national income than any year since 1928."

– Senator Ted Cruz, 20 January 2015, citing Prof Emmanuel Saez, Univ of California, Berkeley

(<https://www.youtube.com/watch?v=QFKfWnzs30c>)

The Gini Coefficient

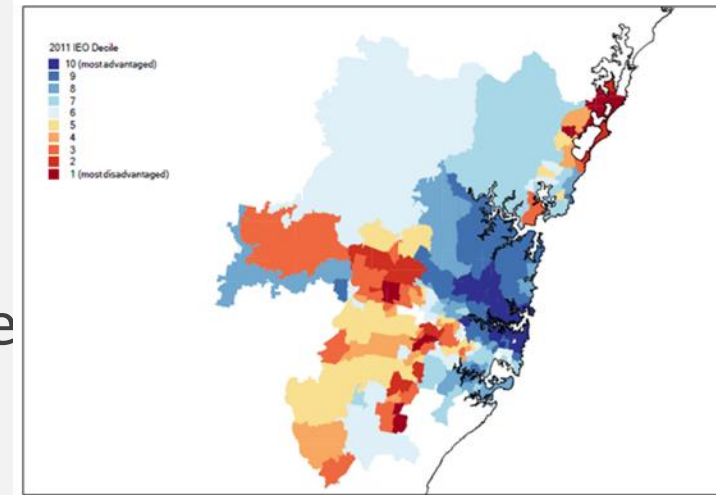


Source: OECD Income Distribution Database. Available from: <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>. Australian Gini coefficients from 1982 to 1990 (inclusive) from Johnson and Wilkins 2006.

Gini coefficient for equivalised disposable household income in Australia, the US, the UK and Canada. Source: ACTU submission http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Income_Inequality/Submissions

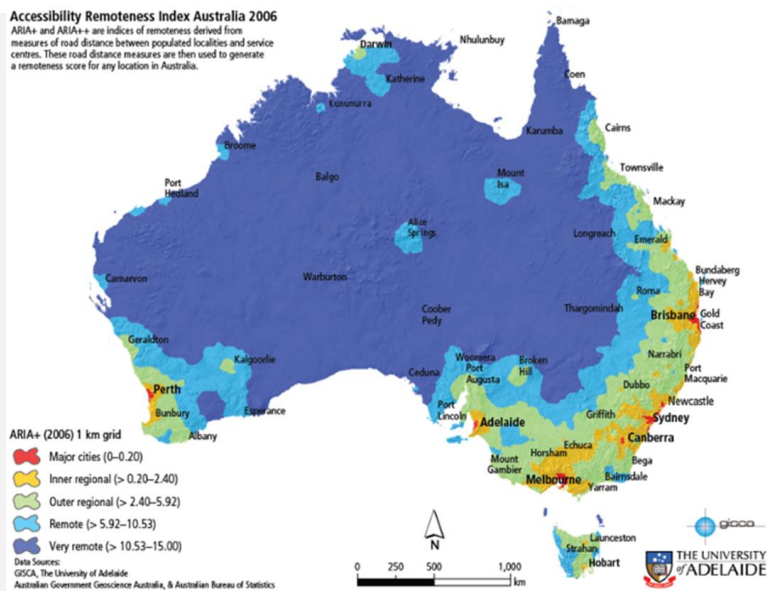
The Unequal Wealth of Australia

- Inequality is spatial.
- Wealth distribution more unequal than income.
- The poorest 40% of Australian households have effectively no wealth at all, many with negative net wealth because of debt.



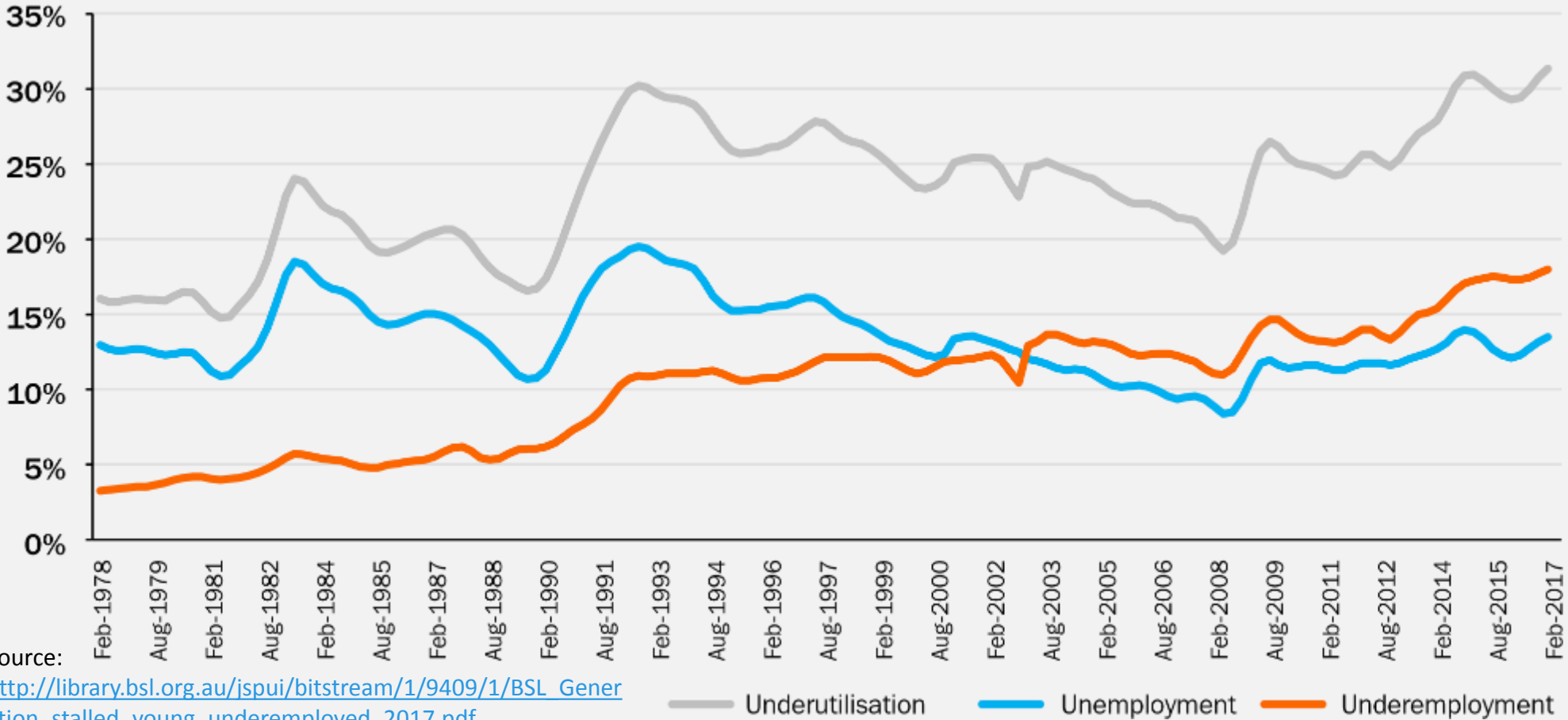
The Wealth of the Nation: Current data on the distribution of wealth in Australia,
by Christopher Sheil & Frank Stilwell, June 2016,
<http://evatt.org.au/papers/wealth-nation.html>

The Restless Regions





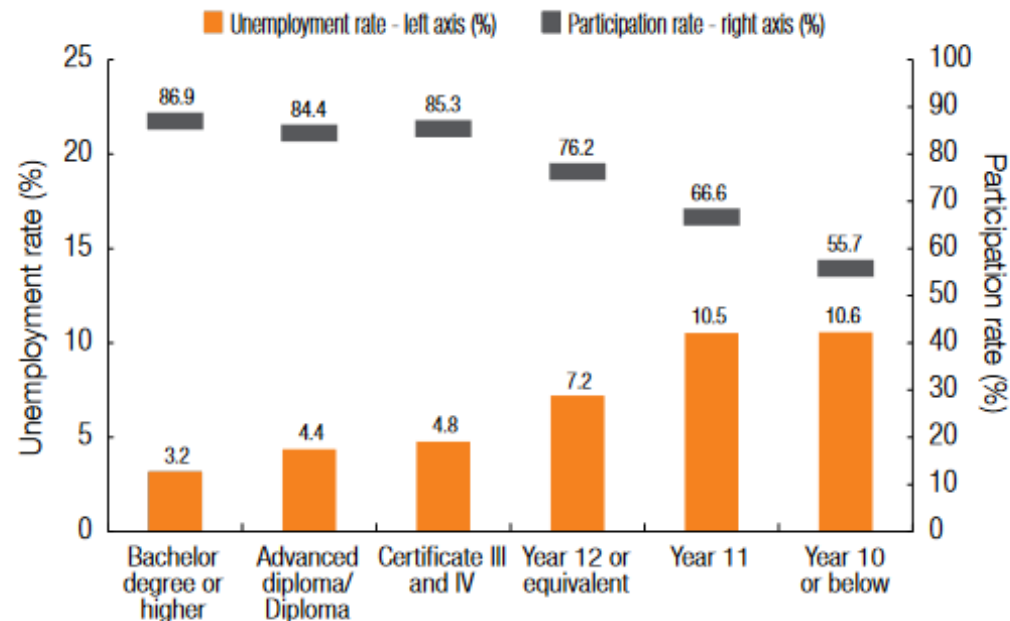
Youth Unemployment + Youth Underemployment = Youth Underutilisation



Source: http://library.bsl.org.au/ispui/bitstream/1/9409/1/BSL_Generation_stalled_young_underemployed_2017.pdf

Education Matters in Australia

Labour market outcomes by highest level of educational attainment, 2016 (%)



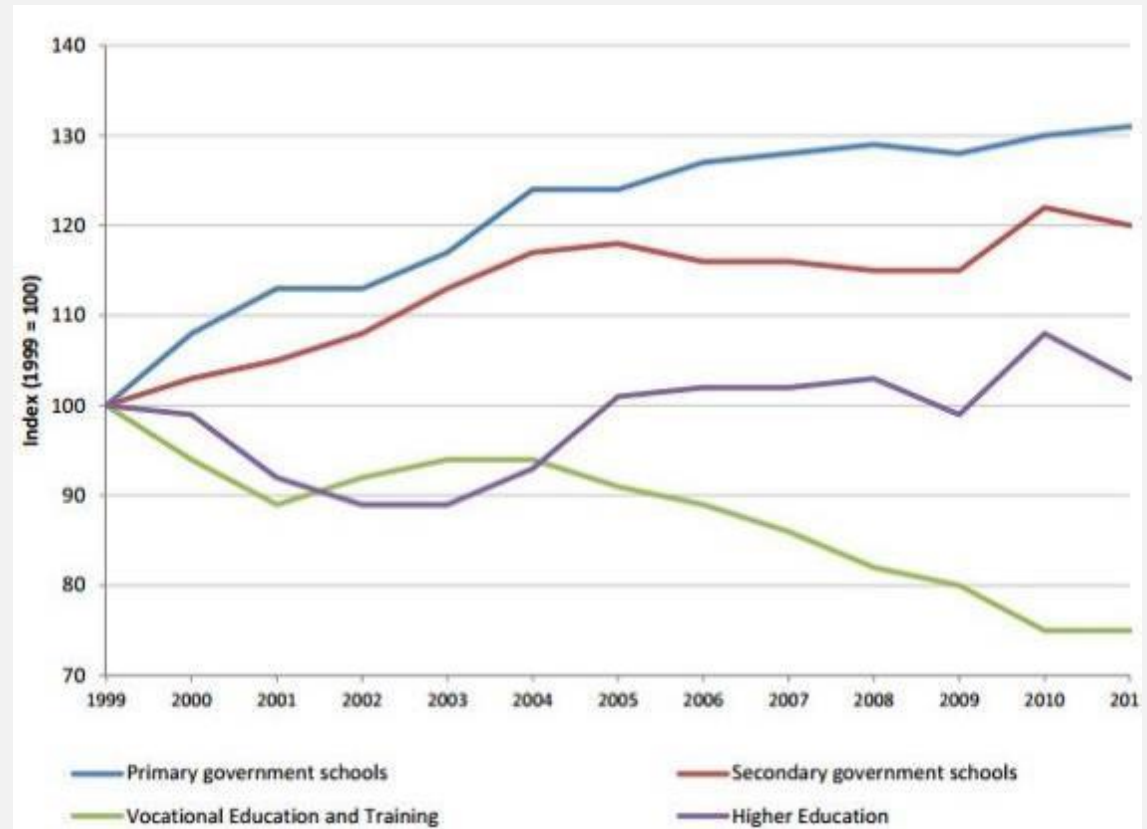
Higher qualifications also generally lead to increased real wages. Some lower skilled occupations, though, also have relatively high pay, sometimes to compensate for unsociable working hours or difficult working conditions.

The “Forgotten Middle Child”

“Like a forgotten middle child, squeezed between schools – which tend to get a lot of policy attention, like the youngest child – and universities, which tend to get the prestige and status, like the oldest child. The VET sector has a lower status in Australia.”

- Committee for Economic Development of Australia (CEDA)

<https://ceda.com.au/Research-and-policy/All-CEDA-research/Research-catalogue/VET-skills-for-growth>



Australian government education funding FTE indexed to 1999

Source: <http://www.mitchellinstitute.org.au/reports/expenditure-on-education-and-training-in-australia-2017/>

Value Education as an Investment, Not a Commodity

Why is the Australian VET sector a “market”, but not the higher education or schools sectors?

- 67% of VET students enrol in private for-profit providers
- 5% in higher education students enrol in private for-profit institutions
- Almost no primary or secondary students enrol in for-profit providers

“We have created a selling culture for our qualifications ... to students and employers, who have little basis to discern legitimacy. Competition then drives cost cutting.” (TDA, 28/05/2018)





Education & Economic Growth

“Australia will receive a bigger economic growth dividend in the long-run by spending on education than offering an equivalent amount of money on a tax cut to business.”

- 60% of Australian economists “agreed” or “strongly agreed”
(June 2016)



Source: http://esacentral.org.au/news/19310/spend-on-education-or-business-tax-cuts/?type_fr=452

Indigenous Participation in VET

VET participation (15-64 years, 2015)

Indigenous 18.7%

Non-Indigenous 9.3%

All Australian 9.9%

Higher education (15-64 years, 2015)

Indigenous 3.6%

Non-Indigenous 6.7%

All Australian 6.6%





Regional and Rural VET

VET is important in rural and regional Australia: available jobs & economic structures. NSW participation rates:

- 6.3% metropolitan
- 11.9% inner regional
- 14.6% outer regional
- 15.4% remote
- 18.5% very remote

A larger percentage of regional and rural VET students study lower level qualifications: Certificate III and below, just those qualifications offered by community colleges.

Regional and rural VET delivery by community providers > 20%

See [The Role of Community Education Providers in Regional and Rural Economic Development](#) (CCA, February 2017)



VET ROI to Australian Society

Study	Methodology	Findings
Independent Economics 2013	Cost-benefit analysis to estimate the return of increased funding in VET	<i>A 5.6% increase in funding predicted to result in an 18% internal rate of return to the economy.</i>
Universities Australia and KPMG Econtech 2010	A system of five models to capture economic costs and benefits (see appendix A for details of the five models)	<i>The internal rate of return for universities and the tertiary sector as a whole (university and VET) was 14% and 15% respectively.</i>

Costs and benefits of education and training for the economy, business and individuals, NCVER, July 2016, <https://www.ncver.edu.au/publications/publications/all-publications/2873>, p. 12.

VET ROI to Australian Business

Study	Methodology used	Findings
Blandy <i>et al</i> 2000	Surveys (based on larger international examples) and a small number of in-depth case studies.	<i>10% increase in training resulted in a 1% increase in productivity growth.</i> Training quantity and quality were positively associated with profitability.
Maglen, Hopkins and Burke 2001	Case studies	Increased productivity due to training was found in the manufacturing enterprises investigated. <i>The footwear manufacturing industry showed a return of \$58 for each dollar invested in training, while the wire manufacturing industry showed a return of \$190 for each dollar invested.</i>
Doucouliaagos and Sgro 2000	Seven case studies and a variety of statistical techniques depending on data availability	<i>The return on investment ranged from 30% to 7000%.</i>



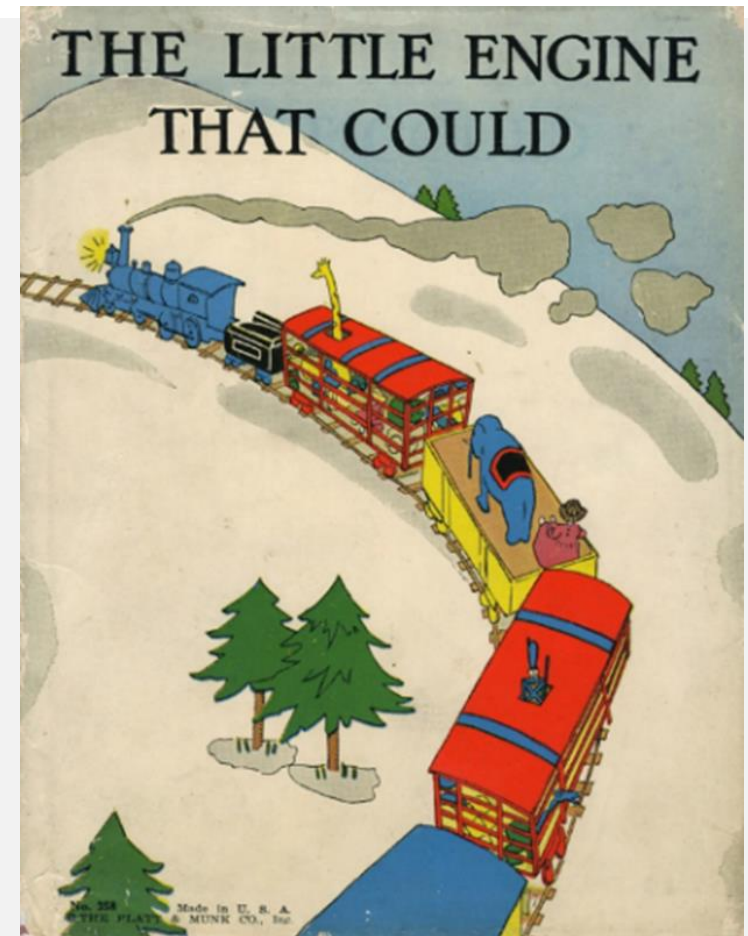
Why Community Providers

Community sector characterised by:

1. Strategic & flexible to employ a wide range of tools
2. Not bound by government structures like TAFE
3. Complements state and national policies that develop job skills, encourage economic development, enable citizen participation and increase human and social capital
4. Not beholden to private shareholders to make profit like for-profit providers
5. Freedom to take considered risks

Strategic influence with historic commitment to:

- investing in local communities
- responding to the needs of vulnerable and disadvantaged Australians
- Small class sizes, personal support focus, and collaborations with social service agencies



426 community providers served 378,900 VET students (9% of national total) in 2016 (NCVER, 2017).



Government-funded VET in NSW

Provider type	Indigenous %	SEIFA disadvantage (bottom 2 deciles) %	Regional/rural/remote %	Students with a disability %	Age 45+ %
<i>Community</i>	<i>12.0</i>	<i>69.1</i>	<i>70.9</i>	<i>15.6</i>	<i>34.8</i>
TAFE	8.4	53.7	34.9	11.1	20.9
For-profit	6.3	55.3	31.5	5.3	15.3

NCVER data, 2016; see <https://cca.edu.au/wp-content/uploads/2017/10/NSW-Community-Colleges-Govt-Funded-VET-2016-Analysis-28September2017-1.pdf>



Conclusions

- Despite the problems facing Australian VET, it has an important place in addressing Australian inequality for vulnerable and disadvantaged groups:
 - Indigenous Australians
 - Young people
 - Rural and regional residents
 - Lower income
- We need a comprehensive national policy on the role of VET in Australia.
- We need to stop favouring university education over VET in funding.
- Community VET providers are uniquely positioned to assist in addressing inequality, through focus on vulnerable and disadvantaged people.

Our Conference



Taking the Lead: Building Community

Community Colleges Australia
Annual Conference

Sydney, 13-15 November 2018

<https://cca.edu.au/what-we-do/2018-cca-annual-conference/>



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