



Perceptions Are Not Reality:

myths, realities & the critical role of vocational
education & training in Australia

May 2017

Acknowledgements.



The project benefited from extensive support, expertise and guidance from a number of employers, educators, professionals from peak bodies and young people who gave generously of their time to share their experiences and insights with the research team.

We thank each of these people who contributed.

We are grateful to the team at Skilling Australia Foundation and McCrindle Research for their collective efforts in designing and executing the research project.

For further information contact:

Joanne Gedge

General Manager, Skilling Australia Foundation

Phone: 1300 096 120

Email: info@saf.org.au

Web: www.saf.org.au

ISBN 978-0-9924839-3-7

© Skilling Australia Foundation 2017

Research & design by McCrindle

Citation: Wyman, N., McCrindle, M., Whatmore, S., Gedge, J. & Edwards, T. (2017). Perceptions are not reality: myths, realities & the critical role of vocational education & training in Australia; Skilling Australia Foundation, Melbourne, Australia.

This report is an output of research funded and supported by Citi Australia. Citi Foundation, Skilling Australia Foundation and Citi Australia have been working in partnership since 2013 on the Citi New Recruits Program.

About Citi Foundation

The Citi Foundation works to promote economic progress and improve the lives of people in low-income communities around the world. They invest in efforts that increase financial inclusion, catalyze job opportunities for youth, and reimagine approaches to building economically vibrant cities. The Citi Foundation's "More than Philanthropy" approach leverages the enormous expertise of Citi and its people to fulfill their mission and drive thought leadership and innovation.

About Skilling Australia Foundation

The Skilling Australia Foundation are passionate advocates for skills-based education such as found through dynamic vocational training courses, technical schools, Technical and Further Education (TAFE) and apprenticeship programs as an initial educational pathway and career starter leading to fulfilling and well paid jobs. The Foundation's programs support young Australians facing disadvantage who wish to commence an apprenticeship, a traineeship, general employment and further education. Since 2013 the Foundation has assisted over 1000 disadvantaged young people to successfully start their chosen career.

About Citi New Recruits

The Citi New Recruits Program has been tackling youth unemployment, linking real skills development with real jobs since 2013. The program specifically targets youth who are unemployed or at risk of becoming unemployed following school from lower socio-economic communities. The program is supported by Citi Australia and Citi Foundation. To date, over 900 young Australians have benefited from completing this program, with over 83% of program graduates finding full-time work or study within 3 months of graduation.

Contents.

2	Introduction
4	Mythbusting
7	Value to economy
13	Social benefits
17	Value to employers
20	Preparing Australia for the future workforce
23	Conclusion
24	References

Introduction.

Australia's vocational education & training (VET) sector continues to deliver excellent results and outcomes for its students, industry and the economy at large.

Yet, among the Australian public, perceptions surrounding vocational education continue to be widely out of step with the reality of the sector and its achievements.

Sandwiched between debates about university deregulation and private vs public school funding, vocational education all too often is relegated to forgotten child status, struggling to gain the media attention required for the public to understand VET's unique abilities and ambitions. Further, the current overemphasis on academic and university pathways means VET pathways are often not given due consideration by high-school leavers.

As such, public awareness and recognition of the crucial role that VET can play and is playing—in training the Australian workforce with the skills required to grasp future industry opportunities—is poor.

When compared with employment outcomes for university graduates, VET continues to produce superior results, and has proven itself to be a more flexible, accessible and adaptable platform for educating and skilling Australians than university education. Importantly, given the rising cost of formal education, VET is also a more cost effective training option for both businesses and individuals.

If we are to ensure that young people, parents and educators are aware of the breadth and depth of opportunities available through VET programs and pathways, it is clear we need to raise the profile of VET and build community awareness of the employment and career opportunities vocational training can facilitate.

Using a range of local and international data sources as well as real-life success stories, this report addresses some of these pervasive and inaccurate perceptions about vocational education and, also, highlights the importance of including VET pathways in the overall discussion about our nation's long-term educational strategies and employment solutions.

Nicholas Wyman

CEO, Skilling Australia Foundation





Australia, the land girt by sea, is currently experiencing waves of a different kind. Unprecedented waves of change demographically, economically, technologically, generationally and socially are transforming the Australian economy and workforce. While these changes impact us all, leaders and influencers, by the very nature of their role, have to do more than just observe the waves of change, they have to strategically respond and so influence the trends and shape the future.

This report is an overview of the trends currently impacting the Australian workforce and gives responses that will help futureproof the local economy amidst these global megatrends.

The transition of the workforce from the currently dominant Baby Boomers and Generation X, to Generations Y and Z, will require different and more diverse solutions to previous intergenerational transfers. As this report points out, the need to be innovative, collaborative and responsive requires more emphasis on vocational education and training in addition to our well regarded higher education sector. In a multi-career era, it is upskilling and retraining that will create a nimble and relevant workforce. In this technologically transformative society, today's new workers will have to be lifelong learners, with hands-on skills not just academic qualifications,

and a focus on productivity not just theory. In these economically fluctuating times, tertiary education will increasingly be required to deliver a return on investment, direct employment outcomes and strong career earning. In all of these areas it is the VET sector that offers compelling solutions to these emerging needs.

This report clearly shows the key role of the VET sector in these transformed times. It also highlights the need to prioritise, promote and position the sector to respond competently to the current needs and opportunities of the Australian economy.

The VET sector is more than just a partner in equipping the emerging workforce, it is the first foundational rung in Australia's future economic prosperity.

Mark McCrindle

Social Researcher, Principal, McCrindle



Mythbusting.

Vocational Education and Training (VET) forms an integral piece of the Australian education system. The sector partners with industry and government to equip people, particularly younger people, with workplace-specific skills and knowledge designed to meet current and future employment demands.

Australia's Vocational Education & Training (VET) system is internationally respected for its ability to deliver flexible, relevant and responsive education and training to explicit national quality standards.

However, multiple misconceptions surround the VET industry. Compared with university, VET is often considered the poor second cousin, seemingly receiving less positive attention in the media, among career counsellors and, significantly, with parents.

Confusion about career earnings, employability and course relevance have led to a culture of belief that only university qualifications guarantee a future career.

A recent national survey of 1,010 Australians found that four in five parents* (79%) would prefer their children go to university after leaving school rather than undertake a vocational training pathway.¹



However, this confusion is largely grounded in a lack of awareness, and there are many reasons why younger Australians and their parents should seriously consider VET options when planning a pathway to a career.

Despite being unfashionable in some quarters, VET continues to deliver great results in a range of areas and, because of its links with industry's cutting edge, has proven itself to be more flexible, adaptable, practicable and up-to-date compared to its university counterparts.

The core of the myths and false perceptions surrounding VET simply do not stack up against the facts.

⊗ Myth #1

VET graduates earn low wages

One in five Australians (21%) believe one of the main reasons Australians are increasingly choosing to undertake university courses over VET/TAFE courses is because of the perception that VET graduates earn lower wages than university graduates.²

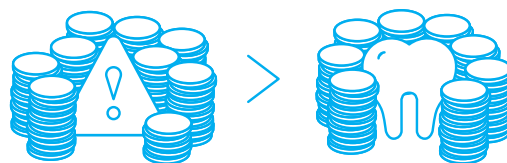
Of these Australians, 68% indicated that they believe the average VET graduate earns at least \$10,000 less than the average university graduate.[^] Close to one in three (31%) believe that the wage gap is more than \$20,000.³

✓ Fact

VET graduates earn wages comparable to, if not exceeding, that of university graduates

The median full-time income for a VET graduate is \$56,000.⁴ The median graduate salary for students completing a Bachelor's degree is \$54,000.⁵

VET graduates also have the capacity to earn higher salaries than many Bachelor degree graduates: the highest average starting salary for a VET qualification (Certificate IV in Hazardous Areas – Electrical at \$85,400⁶) is higher than the highest starting salary with a Bachelor-level degree (Dentistry at \$80,000⁷).



⊗ Myth #2

VET graduates struggle to find work

In Australia today, it is a commonly held view that university is the only road to a full-time career. Nearly three in ten respondents (28%) felt that the main reason Australians choose university over VET is because university graduates find work more easily.

✓ Fact

VET graduates have a higher employment rate than undergraduates. More than 78% of VET graduates are employed after training⁸

Despite university enrolments continuing to rise⁹ (as shown in the graph below), the proportion of university graduates in full-time employment post-graduation continues to fall. Between 2008-2014 the proportion of bachelor degree graduates in full-time employment fell from 86%¹⁰ to 68% (the lowest number in three decades)¹¹ and still remains low at 69%.¹²

Comparatively, 78% of VET graduates are employed after training¹³ and 82% of graduates who participated in VET as a part of an apprenticeship or traineeship are employed after training. The graduate employment rate of VET students who train as part of a trade apprenticeship is as high as 92%.¹⁴

✗ Myth #3

VET is a thing of the past

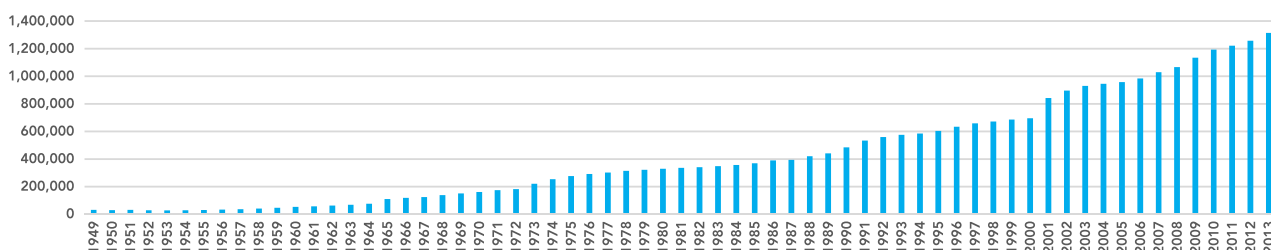
Three in five Australians (59%) agreed with the statement that in a globally competitive world we need university education more than VET. Nearly half suggested that VET is no longer as relevant as university (47%).

✓ Fact

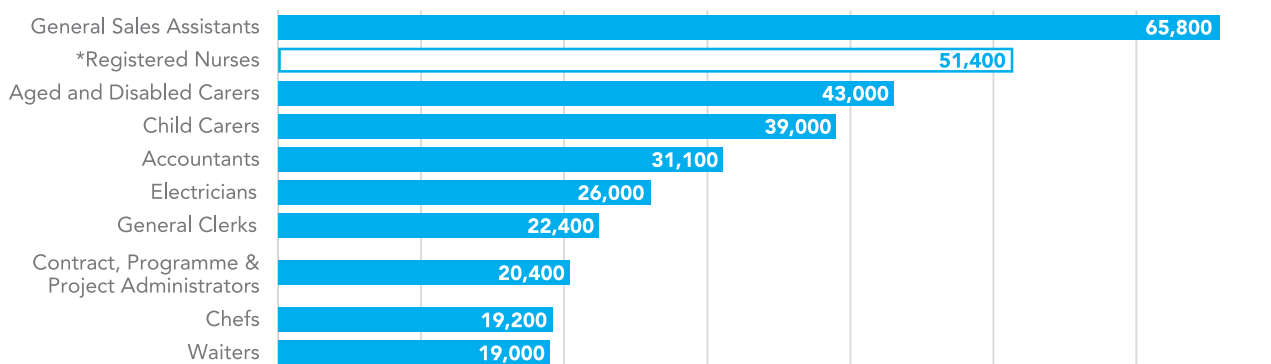
VET courses have adapted more readily to changing workforce needs

According to the Commonwealth Government Department of Employment, the VET sector currently provides training courses for 9 out of 10 occupations predicted to have the greatest growth of new jobs over the next five years.¹⁵ This shows that VET is more relevant than ever when it comes to preparing Australia to be more globally competitive.

Students enrolled in higher education¹⁶



Occupations with the largest numbers of new jobs expected by 2020¹⁷



*Requires bachelor degree



Value to economy.

The modern convergence of technology, globalisation and a post-boom economy means that it is more vital than ever for Australia to prepare for the world of tomorrow.

In 2016, the Australian population reached 24 million and, according to current projections, is set to continue adding increasing numbers year on year.

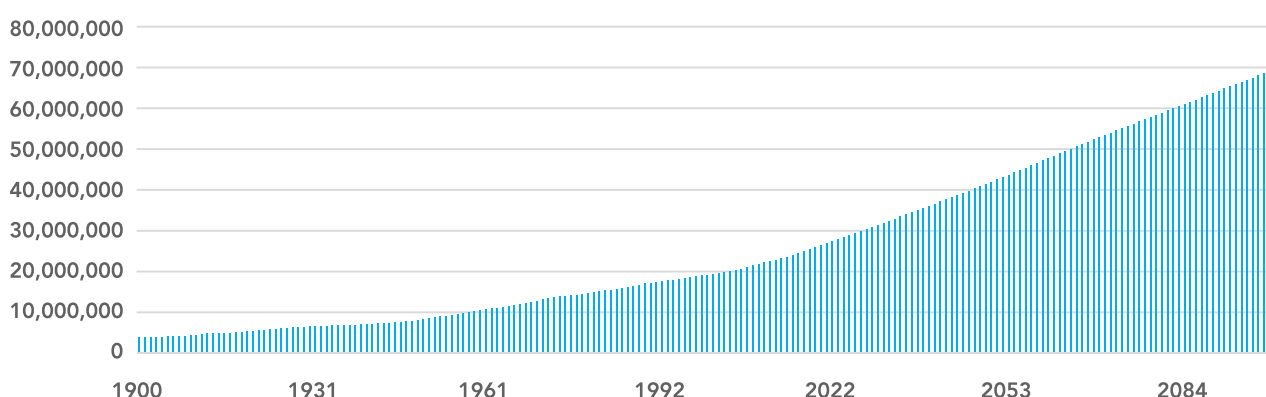
In order to reap the rewards of this rapid growth, we must seek to solve the current disequilibrium in the Australian labour market. Time and again reports on skill shortages reveal that, in many industries, there is a high demand for labour that is not being matched by supply.

At the same time, an unusually high underutilisation rate (unemployment and underemployment¹⁸) suggests there is an oversupply of labour which is being left unused.¹⁹ The result of this is a unique economic challenge whereby high labour demand is not being solved by high labour supply.

The key to resolving these issues lies in skilling our labour force through bolstering vocational education and training.

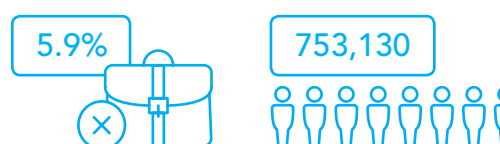
If done correctly, the benefits of VET are far-reaching and set to impact the economy, society and businesses both today and in the future.

Australian Population 1900 - 2100^{20,21}



VET as a solution to unemployment.

Unemployment was estimated to cost the Australian Government nearly \$11 billion in benefit payments alone between 2015 and 2016.²²



5.9% unemployment rate; 753,130 persons²³



Underemployment ratio (proportion of employed) 9.0%; 1,089,200 persons²⁴

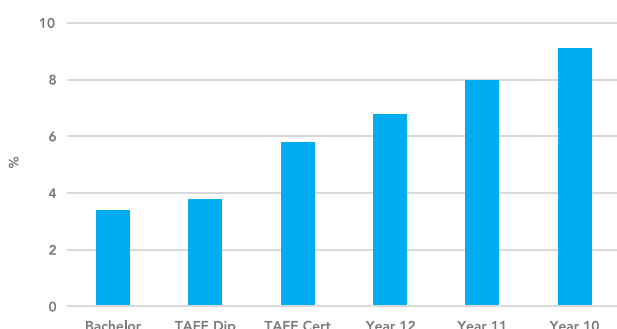


SEEK job ads rose 5.2% year-on-year²⁵

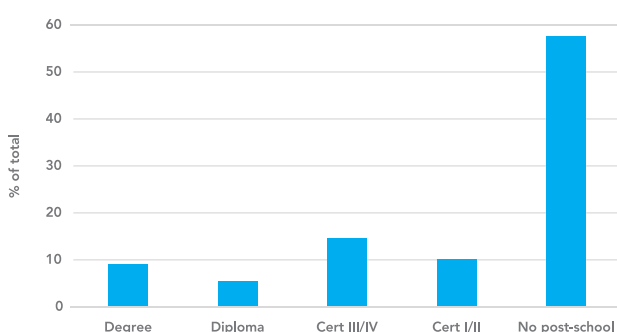
As the rate of people transitioning in and out of jobs continues to grow, one of the greatest threats to the Australian economy is the cost of unemployment. In October 2016, unemployment reached 5.9%, representing 753,130 unemployed Australians.²⁶

A key component of Australian unemployment is the changing nature of entire industries and the increasing need for specific skills and training.

Underemployment rate by highest level of education 2013²⁷



Long-term unemployed by highest level of education 2014²⁸



In both the public and private sector, the need for skilled labour is reducing opportunities for those with only a high school level of education.²⁹

Figures show that those with only a high school level of education represent the largest proportion of long-term unemployed people, and figures also strongly point to the fact that employability increases as education increases. VET is the most accessible and cost effective way to engage and benefit those with no post-school education.

Completion of a VET qualification has been shown to lower the likelihood of an individual becoming long-term unemployed.

Reducing unemployment by investing in VET not only benefits individuals but, also, the national economy by converting what was once government expenditure in welfare transfers into increased government revenue from income tax payments.

In 2016, the average single person with no children receiving the maximum Newstart Allowance received \$13,926 per annum.³⁰ According to the latest industry reports, VET graduates working full-time after training earn a median income of \$56,000 per year³¹, meaning that, in their first year after study, the average VET student pays roughly \$9,747 in income tax.³²

The result of this is that an unemployed individual who participates in VET training can transition from costing the Australian Government at least \$13,746 a year to benefiting the government \$9,747 a year in tax revenue.³³ This represents a net gain to the Commonwealth Budget of roughly \$23,493 per person in the first year of employment alone.

"Currently, shortages exist across a range of occupations and skill levels, including audiologists, civil draftspersons & technicians, optometrists, bricklayers, plasterers, chefs, and even hairdressers in some regional areas."³⁴

Australia faces a skills shortage.

According to a survey by the Commonwealth Government Department of Employment, between 2015 and 2016, more than a third (36%) of occupations reported a shortage of labour.³⁵ The biggest shortages were in the supply of technicians (specifically automotive and food) and trade workers.



36% of occupations in shortage

During the 2015–2016 period, fewer than two-thirds of technician and trade vacancies were successfully filled (63%), leaving almost two in every five job requests unfilled (37%).³⁶ These shortages, and many others, would traditionally be filled by VET training programs, but they remain unfilled. Young people are seemingly discouraged from entering these programs and filling these vacancies due to the many misconceptions surrounding VET and its effectiveness.

According to employers, these vacancies remain largely unfilled due to the lack of applicant experience. Other reasons include applicants being unqualified, lacking specialist skills and not holding the required licences.³⁷

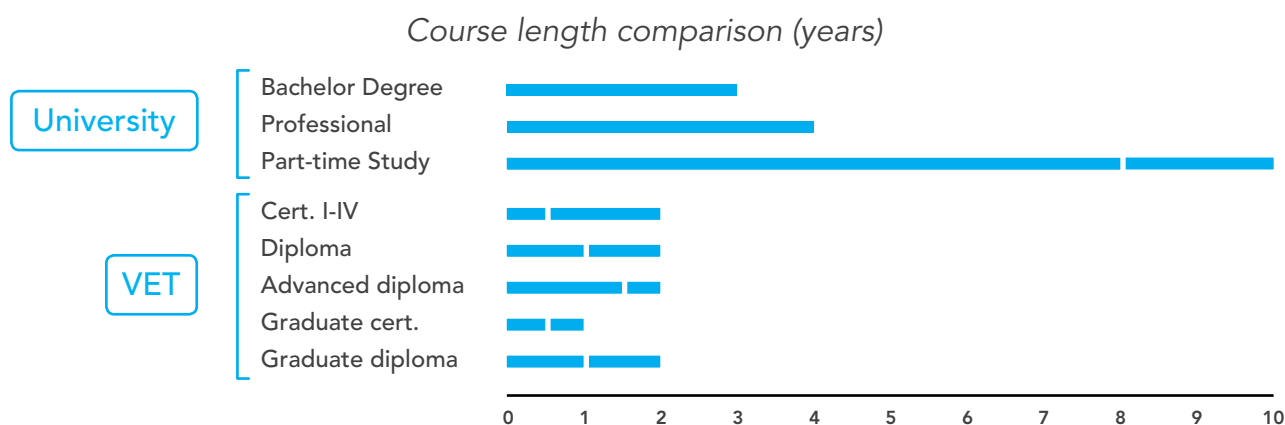
The changes to the Temporary Work (Skilled) visa 457 program announced in April 2017, involving the removal of more than 200 eligible skilled occupations, will place even greater reliance on Australia's VET sector to fill the labour and skills gap. Sectors which have heavily relied on skilled migration in workforce planning, such as technology and technical fields and hospitality will face a greater skills challenge.³⁸

Internationally, as economies are struggling to keep pace with the changing nature of industry, policymakers are increasingly recognising that VET offers training methods to activate/engage unique and diverse labour pools.³⁹

Encouraging young Australians to pursue VET qualifications where they are made 'skills ready' means they are much less likely to face long-term unemployment in the years ahead.⁴⁰

*Some of the industries with at least 1 in 3 vacancies unfilled:*⁴¹
(% of vacancies filled)





VET is a timely solution.

A distinct feature of the emerging Australian economy is the speed of change. According to a recent survey by Chartered Accountants Australia and New Zealand, two-thirds of early-career Australians (0–5 years' experience) expect that their job will not exist (or will fundamentally change) in the next 15 years.⁴² This means the majority expect they will have to reskill, retrain or face potential unemployment.

In a rapidly changing employment environment, the speed, value and skills that VET provides are the solution to today's growing needs.

The standard time to complete a general Bachelor degree is 3 years, while a typical professional degree takes 4 or more years.⁴³ If studied part time, this can take up to 8 or 10 years.⁴⁴ This data is backed up by the fact that the average university course completion rate within four years was 46.3% while the average six-year completion rate was around 67%.⁴⁵ This means that more than half of university students (53.7%) are taking longer than expected to complete their studies.

Few full-time students earn enough while studying to make repayments to their HECS–HELP loans (Higher Education Contribution Scheme – Higher Education Loan Program). As enrolments increase, the number of debtors continues to grow faster than the number of those making repayments.⁴⁶

Currently, it may take between 3–10 years before first-year university students pay income tax or begin to contribute towards the repayment of their debts. This negatively affects the economy by impeding the government's ability to collect tax revenue.

Moreover, if careers are expected to change every 10–15 years, it is infeasible to spend three or more years out of work retraining at university each time.

VET courses, however, vary in length and are much more dynamic.

Certificates I–IV range in duration from 6 months to 2 years. Diploma courses typically require 1 or 2 years, Advanced Diplomas usually take between 18 months to 2 years, a Graduate Certificate typically takes 6 months to 1 year and a Graduate Diploma usually takes between 1 and 2 years.⁴⁷

This means VET students can take as little as 6 months to requalify and reskill. Once retrained, they will not only contribute to the overall productivity of the Australian economy (through their individual output) but, also, contribute their share of taxes.

In 2014, there were 507,629 students receiving HECS–HELP. The government paid \$3.91 billion to higher education providers on behalf of students with HECS–HELP loans.⁴⁸ In 2014, VET FEE–HELP was estimated to cost the government \$1.76 billion on behalf of 131,344 students.⁴⁹

University loans go unpaid as degrees go unused.

Between 2005 and 2013, Bachelor students recorded a completion rate of 73.6%. This rate dropped to 58.5% for students over the age of 25, and less than half (49.2%) for part-time students. The Parliamentary Budget Office finds that 21.8% of new loans each year are unlikely to ever be repaid.⁵⁰

Noticeably, for students from lower socio-economic backgrounds, the recorded completion rate (68.9%) was lower than the average.⁵¹ This suggests that not only are these students from disadvantaged backgrounds struggling to enter university, but nearly a third (31%) are leaving in a worse financial state than when they started—with increased debt and no qualifications.

By comparison, the load pass rate⁵² for Commonwealth and state government funded VET courses was 82.8%⁵³, nearly 10 percentage points higher than university courses.



Social benefits.

VET as a solution to the NEET* problem
and the dangers of youth unemployment.

*young people Not in Education, Employment or Training

Reformation of the VET sector offers not only increased economic benefits but, also, numerous social benefits.

While Australia's overall unemployment rate is one of the lowest in the developed world, the number of young people not in education, employment or training (NEETs) has continued to rise since before the 2008 global financial crisis.

In March 2017, the Australian youth unemployment rate was 13.27%.⁵⁴ Around 8% of young people are counted as underemployed⁵⁵, while 12% of young people (15–29 years) are NEETs.⁵⁶

Young people in this category are increasingly likely to experience significant unemployment in their life. The risk of being left behind is especially high for those with low skills, education and training—roughly 4% of all young people.⁵⁷ If these barriers to the labour market are not addressed, there could be significant consequences. Low skilled NEETs, many of whom live in households without any employed adults, are at greater risk of chronic poverty.

Recent CSIRO research has proven what parents and educators have long witnessed: youth unemployment and failure to find a first job has been shown to have 'scarring' effects on young people attempting to enter the workforce, and may lead to lasting negative impacts on health and career prospects.⁵⁸

VET apprenticeships offer a practical solution to this growing problem for young Australians. Take, for example, Nathan Taverner's experience:

Nathan participated in the Citi New Recruits job-ready program for aspiring apprentice chefs. He describes how at the start he was shy, unsure and lacking in confidence. After a 3-week hands-on pre-apprenticeship program, followed by 1 week's



work experience in a commercial kitchen, Nathan landed his apprenticeship at the Sebel Resort and Spa in Hawkesbury, New South Wales.

With the guidance and support of executive chef Pavan Kapoor, Nathan has spent 3 years building his culinary skills as well as his confidence. During his apprenticeship, Nathan won 2 TAFE culinary cook-offs and was hosted in first-class kitchens. Last year, he received a Citi Markets Scholarship to Melbourne, Victoria, where he was placed at Hellenic Republic and had the opportunity to meet the restaurant's owner, top chef George Calombaris.

Nathan's mentor, Lisa Lee says, "Nathan has persevered and pushed his way through his apprenticeship. The chef at the Sebel really helped bring out his confidence."

Nathan's story of success is just one of the many examples of where VET has provided young Australians not just with skills and employment but, also, self-confidence and hope.

VET increases standards of living.

Increasing human capital by skilling Australia's unemployed and underemployed through vocational education and training is vital for achieving increased national productivity. Higher levels of productivity are associated not only with increased economic output, but also, with higher standards of living. As employment increases, so too does disposable income, leading to higher standards of living.

Supporting this, studies in the US have shown that investment in vocational education and training increases the engagement of people from lower socio-economic backgrounds and from under-represented communities.⁵⁹

Take, for example, the story of John Sipolo and how VET helped to change his life.

As an athlete who had represented his state in basketball, John Sipolo once thought he would pursue a career in competitive sports. When he was unable to follow that dream due to injuries, John discovered a new passion for cooking.

Born in the Philippines, John was nine when he and his mother and younger brother came to live in Australia.

Speaking of his childhood John says, "We had a pretty tough time and I had to help support mum too. I worked in Pizza Hut, then went to my cleaning job at the hospital a couple of nights a week and on the weekend. I would finish at 1am, and then I was off to school the next day. I knew I had to learn to stand on my own two feet and not rely on anyone else."

After finishing high school, John went straight into the Citi New Recruits program, which led to his apprenticeship at Italian restaurant Fratelli Paradiso in Potts Point, NSW. As a 20-year-old working towards a Certificate III in Commercial Cookery, John was able to learn new skills every day and develop an in-depth knowledge of the industry.

According to John, "An apprenticeship is a great way to get into a job where you learn hands-on and develop new skills in something that you are passionate about. Get started, so you can start earning an income. It's a great way to meet new people, too."

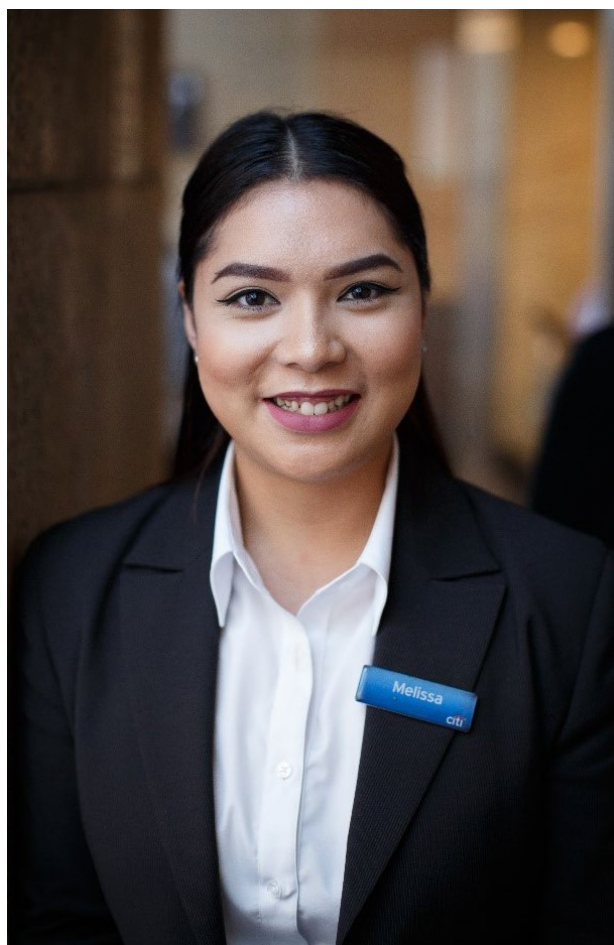
John's experience is a testimony to the ways in which VET is uniquely able to empower people from lower socio-economic backgrounds and help them earn an income while they learn. The alternative, university study, would require John to forgo earning and, likely (as statistics indicate), worsen his financial situation. VET, however, immediately raised John's standard of living.



Like many young Australians, Melissa Gabriel freely acknowledges that after completing her Higher School Certificate, she was uncertain about how to get started in her career.

The problem was getting that first professional role: "I had a casual job at a retail store", she says "but I wanted a traineeship in administration. However without any experience in business, I was finding it difficult to find a full time job in the admin industry."

About this time, these rejections began to impact her enthusiasm. "I was living at home with my parents and lacking motivation." Fortunately Melissa found out about and participated in the Citi New Recruits program just in time. Melissa was placed at Citi Australia for the work experience component of her program, which promptly lead to a job offer for a traineeship, providing her with a Certificate III in Hospitality.



This Traineeship has opened up a lot more doors. I've gained more confidence and I think I can do anything I put my mind to.

Melissa Gabriel

Melissa remembers as a 19 year old having to make adjustments to her lifestyle. "I had to quickly balance my life. I'm based at a site full of executives, I work on the same floor as the CEO. I was super nervous that I didn't have any experience and I had to deal with VIPs."

Although not what Melissa had initially aspired to, she was forward thinking and open to the opportunities which could arise from the job. "It wasn't what I was hoping for but I thought any qualification would be great. And it's a start."

She wasn't wrong! "Even though I was studying food and beverage, after completing my traineeship I got offered the receptionist role!" Melissa says. Now she regularly takes on a wide-range of responsibilities including site manager, cross training around the department of executive services, payroll and training new employees.

Melissa's life has been transformed through her traineeship: "Beyond the expanded responsibilities and self-confidence, I definitely feel secure professionally", she says, "It's been life changing."



Value to employers.

International VET developments.

Internationally, VET is undergoing a renaissance. In the wake of the Global Financial Crisis, policymakers globally started to look at what lay behind the success of those lucky countries which managed to avoid it, with particular attention being paid to Germany.

Many wondered how an economy with among the highest wage costs in the world, and a heavy focus on manufacturing exports (one-third of Germany's economic output goes to export), could prosper in the face of such economic shocks.

Despite suffering some negative growth at the height of the financial crisis, Germany currently has an unemployment rate of 3.9%⁶⁰, posting a record trade surplus of \$270 billion USD and a budget surplus of \$6.60 billion USD in 2016.⁶¹

Policymakers determined that the secret of Germany's high wage, high skilled, high growth, high employment economy, was the priority and prestige given to encouraging students to pursue vocational pathways into the workplace.

Governments globally have been trying to expand the scale of their VET systems after realising they could easily replicate this major feature of the German system by increasing investment and prestige for skills training.

In 2010, the United Kingdom (UK) government introduced a target of 2 million apprenticeships by 2015 and, having met that, in 2016 subsequently announced a target of an additional 3 million apprenticeships by 2020.

In 2016, the United States American Apprenticeship Initiative significantly increased the funding available to initiate apprenticeship programs, and the EU launched its New Skills Agenda to 'improve the teaching and recognition of skills' and linked with the EU's primary political priority to 'boost jobs, growth and investment'.

VET increases employee loyalty.

Increased skill utilisation and increased levels of innovation are just some of the benefits VET can offer industries.⁶²

A study by the Aspen Institute in the United States has drawn direct connections between vocational

training and increased workplace diversity, employee loyalty and cooperative productivity.⁶³ VET targets the development of transferable skills which benefits both the employer and employee. People who undertake VET—especially through an apprenticeship or traineeship program—are able to combine on-the-job training with study.

This nuanced 'earn-while-they-learn' approach, focused on specific skill development, has been proven to yield mutually advantageous results for employers and employees.⁶⁴

The future is bright when you are employed doing something you love.

Fearghus Von Prott can't believe his luck in securing his dream job so soon out of school.

Fearghus always knew that the classroom wasn't for him. He wanted to start a career in something practical, rather than be stuck behind a desk. After graduating from year 12, Fearghus had considered joining the Army, however an opportunity to join the Citi New Recruits program came his way.

After completing an automotive pre-apprenticeship through the Citi New Recruits program in November 2016, Fearghus was offered an Automotive Light Vehicle apprenticeship with Mercedes Benz Sydney.

On any given day, Fearghus can be found working on repairs, learning how to maintain tools, cleaning the workshop or breaking down turbo engines with his colleagues, while testing his knowledge of the parts.

Fearghus had to move to Sydney from Nowra to take the role, which is always a challenge for young people, but one he is relishing. "In adjusting to city life, I had to rapidly grow-up and



become independent”, Fearghus said, “but I have made a new group of friends. I work in a great place, the people are fun and we have a laugh. It’s a welcoming place to be.”

As a first year apprentice, Fearghus’ day begins early. Describing a typical day in pre-service he says it’s a 6:30am clock on, “then I rearrange the car park to fit in more cars. Morning duties include emptying oil, changing bins, checking hand towels. I get to drive top-of-the-range Benz models from one warehouse to another with my P-plates on. The good thing is I look forward to coming in to work every morning.”

Fearghus says it’s important to work hard, still have a positive attitude at the end of the day and be keen to come back. He has some sound advice for other apprentices, “Go in with a good attitude. Show the employer you are willing to learn new things on a daily basis.”

VET graduates and apprentices have also been shown to have positive and energising effects

on incumbent workers. This is often as a result of the up-to-date technical skills VET students bring to the workforce, creating a two-way knowledge transfer and learning environment between old and new employees.⁶⁵

Studies also show that apprentices, just like Fearghus, are more likely to work harder and stay longer with employers who have provided them with a career start.⁶⁶

Globally, there is a trend towards skills-based hiring, rather than recruitment weighted strongly towards academic qualifications. Ernst and Young (EY) in the UK have now removed degrees from their hiring criterion, like Nestlé and Barclays who are also moving to contemporary skills and strengths-based recruitment.⁶⁷



Preparing Australia for the future workforce.

**Flexibility, the key to
Australia's future.**

In order to ensure the stability of the Australian economy during the challenges of the future, such as rapidly developing technology and globalisation, Australia needs more adaptable workers who are able to engage in learning throughout their lives.⁶⁸

By 2025, it is projected that there could be as many as 2 million new jobs in Australia.⁶⁹ It is also expected that demand for additional qualifications could reach close to 12 million in the next 15 years.⁷⁰

It is predicted that today's school leaver will have 17 jobs across 5 careers in their lifetime. The length of job tenure for working Australians, on average, is currently around 3 years.



While in 1975 the average length of tenure for a worker aged 45 or older was almost 10 years, these workers are following the trend of young people's shortened workplace tenure, averaging just 6 years and 8 months per role.

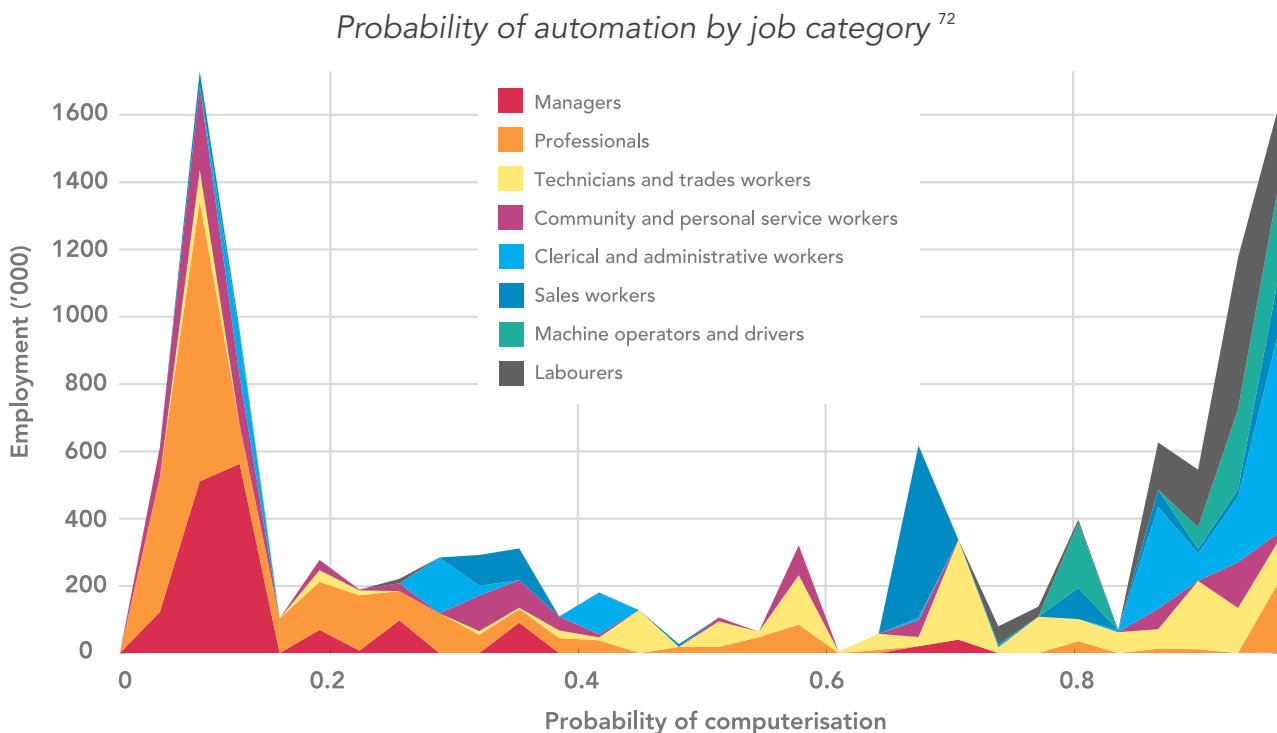
Commentators argue that the current rigidity of the higher education system fails to teach graduates how to handle the complexity and ambiguity which they are likely to encounter in the workforce.⁷¹

The bulk of Australia's workers will be retraining, upskilling, career changing or shifting from employment to self-employment and then back again several times over the course of their working lives.

Vocational education and training provides a low-barrier entry point for individuals to retrain and ensure they remain future-proofed as they respond to the demands of an ever-changing workforce.

Jobs replaced by technology.

As we head further into the age of digital disruption and rapid automation, it is becoming clearer that the jobs of the future will require individuals to possess a broad range of transferable skills. The workforce of the future will be dependent on creativity, problem solving and critical thinking.



Although technology and automation threaten to disrupt the Australian labour landscape, there are some occupations that carry a low risk of being replaced by technology. These irreplaceable jobs are those which require a high level of human interaction, empathy and individuality.

*The VET sector has already begun to respond to this opportunity by positioning itself as the leading provider of skill-based education and training in industries such as aged care, disability care, childcare and nursing.*⁷³

The VET sector is able to offer training courses which change according to the needs of the future labour market. VET's high level of flexibility enables it to provide practical programs that teach real-life skills rather than just theory. As a result, VET graduates of the future will be able to enter the workforce with first-hand experience, rather than requiring constant retraining once employed.

Unqualified and low-skill positions are predicted to have the highest probability of replacement by computerisation. Increased education will lead to increased job security.⁷⁴

VET is uniquely positioned to deliver the specific skills needed in the ever-changing Australian workforce both now and in the future. VET's responsiveness in adapting to the changing needs of the economy—for example, delivering new qualifications in sectors such as childcare, aged care and disability care—have reinforced VET's place as an agile tier of the education sector.⁷⁵

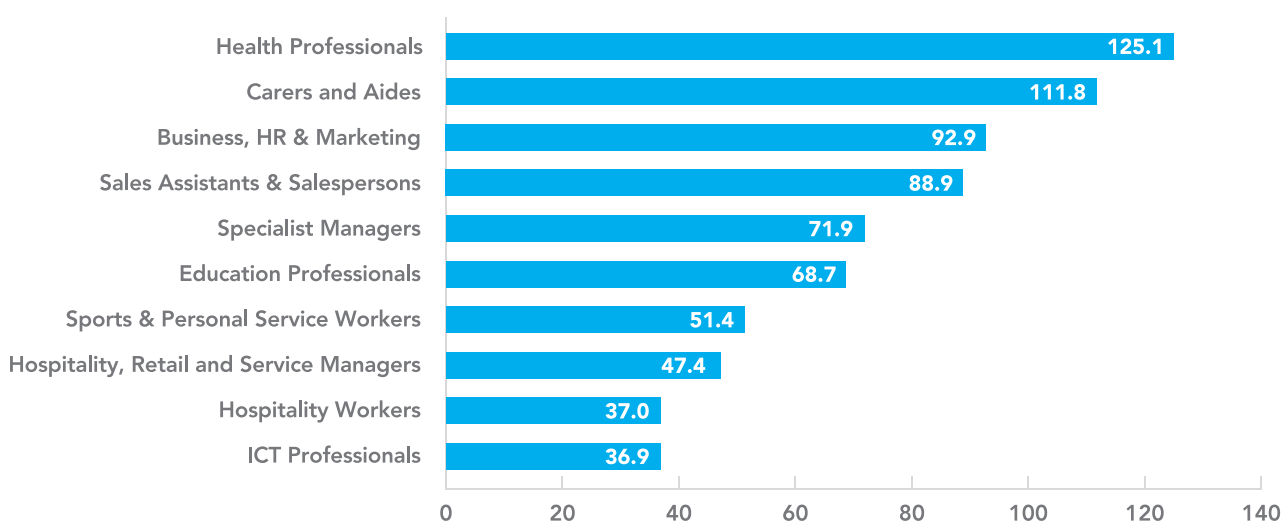
Future projections show substantial growth in industries which are dominated by human relational skills. The largest industry growth areas are predicted to be health professionals, carers and aides, administrators, chefs and electricians.

Of the 10 industry subgroups with the largest projected employment gains by 2020, all can be trained for via VET courses.

*With continued and improved support, the VET sector is positioned to rise to the challenges of digital disruption, mechanisation and automation. The hands-on skill-based training exclusively provided by VET is able to deliver the required skills demanded by ever-changing industries.*⁷⁶

New Jobs - Outlook 2020 ⁷⁷

Largest projected employment gains by subgroup ('000)



Conclusion.

In this report, we have sought to rebut some of the major erroneous beliefs held across the community regarding vocational education and training pathways.

We have proven that Australia's VET sector, far from preparing students for low-skilled, low-paid or low-future work, produces highly skilled graduates with remuneration and employment outcomes comparable to those of university graduates.

In comparison with university undergraduate programs, VET usually provides students with a faster, more cost-effective pathway to complete a qualification and enter the workforce.

Yet, despite these strong outcomes, the VET sector has in recent years witnessed declining enrolments and enthusiasm, as the prevailing 'university or bust' mentality has guided many young Australians away from considering vocational education pathways and programs (and, as VET enrolments have declined, the number of occupations on the national skills shortage list has increased).

It is time for the sector to tackle these myths and misperceptions head on, remove stigmas, and reassert the varied and stable career opportunities accessible through vocational education.

Vocational education is not and never was a straitjacket—it can be a springboard to greater educational and career advancement.

We all have different passions, talents, ambitions, and we all learn in different ways, so to elevate one educational delivery method over another is a recipe for disaster.

Far from being a sidenote, VET needs to be at the forefront of both economic and educational discussions.

If Australia is to grasp the challenges and opportunities of a future where the pace of change is the only constant, the VET sector has a pivotal role to play in preventing skills shortages and providing our people with the skill sets required for jobs of the future.

Because of its applied design, VET remains best suited to build and skill Australia's future workforce needs and to deliver curricula and programs which are current, comprehensive and adaptable to industry innovations and market trends.

We must boost public awareness and private sector commitment to vocational education and training: the superior economic performance of countries which have prioritised vocational education pathways, such as Germany and Switzerland, stand as live examples of the value of this approach.

Political and business leaders often bemoan Australia's perennial social and economic problems, but it is clear the VET sector can play a significant role in resolving them.

If we allow the VET sector's atrophy to continue, we do so at our economic peril.

If we are to skill up our kids into a job, tackle youth and long-term unemployment, address the national skills shortage, reduce reliance on imported skilled labour, boost national productivity, shore up our tax base, address intergenerational equity, reduce welfare dependency and antisocial behaviour, or even staff major nation-building infrastructure projects, Australia needs a robust, valued and dynamic VET sector.

Nicholas Wyman

CEO, Skilling Australia Foundation
May 2017

References.

* This question was asked of the 325 people who identified as being parents.

^ This question was asked of the 207 people who believed that university graduates generally have a higher starting salary than VET graduates.

1. Methodology: A national survey of Australian adults n=1,010. Research conducted January 2017 by McCrindle Research.

2. Methodology: A national survey of Australian adults n=1,010. Research conducted January 2017 by McCrindle Research.

3. Methodology: A national survey of Australian adults n=1,010. Research conducted January 2017 by McCrindle Research.

4. National Centre for Vocational Education Research, 2016, *Total VET Graduate Outcomes*

5. Graduate Careers Australia, 2015, *GradStats Employment and Salary Outcomes of Recent Higher Education Graduates*

6. Department of Education and Training, My Skills, *Student Outcomes*, May 2017: <https://www.myskills.gov.au/>

7. Graduate Careers Australia, 2015, *GradStats Employment and Salary Outcomes of Recent Higher Education Graduates*

8. National Centre for Vocational Education Research, 2016, *Total VET Graduate Outcomes*

9. Department of Education and Training, 2016, *2015 Student Summary*

10. Graduate Careers Australia, 2008, *GradStats: Number 13, December 2008*

11. CEDA, 2016, *VET: securing skills for growth*

12. Graduate Careers Australia, 2015, *GradStats Employment and Salary Outcomes of Recent Higher Education Graduates*

13. National Centre for Vocational Education Research, 2016, *Total VET graduate outcomes*

14. National Centre for Vocational Education Research, 2016, *Total VET graduate outcomes*

15. Department of Employment, 2016, *Australian Jobs 2016*

16. The Conversation, 2015, *Who goes to university? The changing profile of our students*, May 2017: <https://theconversation.com/who-goes-to-university-the-changing-profile-of-our-students-40373>

17. Department of Employment, 2016, *Australian Jobs 2016*

18. Underemployment consists of workers who want more hours

19. ANZ Research, 2016, *Wages, Underemployment, and the RBA*

20. Australian Bureau of Statistics, 2013, cat. no. 3222.0 *Population Projections*, Australia, 2012 (base) to 2101

21. Australian Bureau of Statistics, 2014, cat. no. 3105.0.65.001 *Australian Historical Population Statistics*

22. The Commonwealth of Australia, 2016, *Statement 5: Expenses and Net Capital Investment*, May 2017: http://www.budget.gov.au/2016-17/content/bp1/html/bp1_bs5-01.htm

23. Trading Economics, 2017, *Australia Unemployment Rate*, May 2017: <http://www.tradingeconomics.com/australia/unemployment-rate>

24. Australian Bureau of Statistics, 2017, cat. no. 6202.0 *Labour Force*, Australia, March 2017, Table 25. *Underutilised persons by State, Territory and Sex, Monthly*

25. SEEK Insights & Resources, 2017, *Seek Employment Trends: mining and resources sector continues to grow*, May 2017: <http://insightsresources.seek.com.au/seek-employment-trends-mining-resources-sector-continues-grow>

26. Trading Economics, 2017, *Australia Unemployment Rate*, May 2017: <http://www.tradingeconomics.com/australia/unemployment-rate>

27. Australian Bureau of Statistics 2014, *Education and Work*, Australia, Cat. No. 6227.0

28. Australian Bureau of Statistics 2014, *Job Search Experience*, Australia, Cat. No. 6222.0

29. Australian Workforce and Productivity Agency, 2012, *Future focus: Australia's skills and workforce development needs*

30. Department of Human Services, 2017, *Newstart Allowance*, March 2017: <https://www.humanservices.gov.au/customer/services/centrelink/newstart-allowance>

31. National Centre for Vocational Education Research, 2016, *Total VET Graduate Outcomes*

32. Australian Taxation Office, *Simple tax calculator*, May 2017: <https://www.ato.gov.au/Calculators-and-tools/Host/?anchor=STC&anchor=STC#STC/questions>

33. Department of Human Services, 2017, *Newstart Allowance*, March 2017: <https://www.humanservices.gov.au/customer/services/centrelink/newstart-allowance>

34. Kristian McCarthy, Victorian Chamber of Commerce and Industry, in email conversation with the report authors, December 2016.

35. The Australian Government Department of Employment, 2016, *The Skilled Labour Market: A pictorial overview of trends and shortages 2015–16*

36. The Australian Government Department of Employment, 2016, *The Skilled Labour Market: A pictorial overview of trends and shortages 2015–16*

37. Australian Government Department of Employment, 2016, *The Skilled Labour Market: A pictorial overview of trends and shortages 2015–16*

38. Department of Immigration and Border Protection, *Abolition and replacement of the 457 visa – Government reforms to employer sponsored skilled migration visas*, May 2017: <http://www.border.gov.au/Trav/Work/457-abolition-replacement>

39. The Aspen Institute Skills for America's Future, 2015, *Recasting American Apprenticeship: A Summary of the Barriers to Apprenticeship Expansion*

40. Javier Amaro, Chief Executive Officer, Insources Education, in email conversation with the report authors, December 2016. Skills ready refers to individuals being adaptable rather than just trained for a specific job.

41. Australian Government Department of Employment, 2015-16, *Skill Shortages – Statistical Summary*
42. Chartered Accountants Australia and New Zealand, 2016, *The Future of Work: How Can We Adapt To Survive and Thrive?*
43. All Unis, *Australian university System*, March 2017: <http://alluniversities.com.au/>
44. The University of Melbourne, *Maximum Course Length*, May 2017: http://ask.unimelb.edu.au/app/answers/detail/a_id/2862/~/_/maximum-course-length
45. Universities Australia, 2015, *Higher Education and Research: Facts and Figures*
46. Grattan Institute, 2016, *HELP for the future: fairer repayment of student debt*
47. The Good Universities Guide, 2017, *VET courses*, May 2017: <http://www.gooduniversitiesguide.com.au/Support-Centre/Study-options/VET-courses#3>
48. Universities Australia, 2015, *Higher Education and Research: Facts and Figures*
49. Universities Australia, 2015, *Higher Education and Research: Facts and Figures*, November
50. The Australian, 2016, Owens J, *University student HECS to explode to \$11bn by 2026*
51. Department of Education, 2015, *Completion Rates of Domestic Bachelor Students – A Cohort Analysis, 2005-2013*
52. The load pass rate is the ratio of students who pass each unit compared to all those who either pass, fail or withdraw.
53. National Centre for Vocational Education Research, 2016, *Australian vocational education and training statistics: total VET students and courses 2015*
54. Trading Economics, 2017, *Australia Youth Unemployment Rate March 2017*, May 2017: <http://www.tradingeconomics.com/australia/youth-unemployment-rate>
55. CEDA, 2016, *VET: securing skills for growth*
56. OECD, 2016, *Employment Outlook 2016: How does Australia compare?*
57. OECD, 2016, *Employment Outlook 2016: How does Australia compare?*
58. CSIRO, 2016, Hajkowicz SA, Reeson A, Rudd L, Bratanova A, Hodggers L, Mason C, Boughen N, *Tomorrow's Digitally Enabled Workforce: Megatrends and scenarios for jobs and employment in Australia over the coming twenty years*
59. The Aspen Institute Skills for America's Future, 2015, *Recasting American Apprenticeship: A Summary of the Barriers to Apprenticeship Expansion*
60. Trading Economics, 2017, *Germany Economic Indicators*, March 2017, May 2017: <http://www.tradingeconomics.com/germany/indicators>
61. Reuters, 2017, *Germany posts 6.2 billion euro budget surplus in 2016*, May 2017: <http://www.reuters.com/article/germany-budget-idUSB4N18L02A>
62. Skills Australia, 2011, *Skills for prosperity: a roadmap for vocational education and training*
63. The Aspen Institute Skills for America's Future, 2015, *Recasting American Apprenticeship: A Summary of the Barriers to Apprenticeship Expansion*
64. Barclays and CEBR, 2016, *Productivity and Lifetime Earnings of Apprentices and Graduates*
65. The Aspen Institute Skills for America's Future, 2015, *Recasting American Apprenticeship: A Summary of the Barriers to Apprenticeship Expansion*
66. The Aspen Institute Skills for America's Future, 2015, *Recasting American Apprenticeship: A Summary of the Barriers to Apprenticeship Expansion*
67. Industry Dive, 2017, Craig R and Linley A, *Why are UK employers making the move to skills-based hiring?*, May 2017: <http://www.hrdiver.com/news/why-are-uk-employers-making-the-move-to-skills-based-hiring/439359/>
68. Skills Australia, 2011, *Skills for prosperity: a roadmap for vocational education and training*
69. CEDA, 2015, *Australia's future workforce?*
70. Skills Australia, 2011, *Skills for prosperity: a roadmap for vocational education and training*
71. CSIRO, 2016, Hajkowicz SA, Reeson A, Rudd L, Bratanova A, Hodggers L, Mason C, Boughen N, *Tomorrow's Digitally Enabled Workforce: Megatrends and scenarios for jobs and employment in Australia over the coming twenty years*
72. CEDA, 2015, *Australia's future workforce?*
73. CEDA, 2016, *VET: securing skills for growth*
74. CEDA, 2015, *Australia's future workforce?*
75. CEDA, 2016, *VET: securing skills for growth*
76. CEDA, 2016, *VET: securing skills for growth*
77. Department of Employment, 2016, *Australian Jobs 2016*



Notes.

Handwriting practice lines consisting of 20 horizontal dotted lines.

