FUTURE DEMAND FOR VOCATIONAL EDUCATION AND TRAINING

1. Purpose

To provide a summary of key issues, and areas of interest for RMIT, arising from a report prepared in 2004 by Access Economics for the Department of Education, Science and Training (DEST) entitled “Future Demand for Vocational Education and Training”. An Executive Summary and the full report can both be found at:


2. Background

In preparing a report for the Australian National Training Authority (ANTA) in 2003, Access Economics developed a forecasting model for vocational education and training (VET) demand. In preparing the 2004 report for DEST, Access Economics extended this model to include the latest data on VET activity (both hours and numbers of students), a mechanism to allow for price changes, and the ability to provide projections on a State/Territory basis.

3. Key Issues and Areas of Interest for RMIT

3.1 VET Growth and its key drivers

- VET hours in Victoria are projected to grow by 1.7% per annum for 2003 to 2010. This compares to a predicted growth of 1.9% across Australia as a whole. Growth in New South Wales and Victoria is projected to be a little lower than in other states, partly as a result of the fee increases in 2004.

- Growth in VET hours from 2003 to 2010 is projected to be slower than in the previous decade as employment (and population) growth slows, and demand for VET due to productivity gains in the Australian economy slows. In the model, VET policy initiatives are also assumed to be less significant compared to previous years: for example because there has already been an element of ‘catch-up’ in recent VET policy, enabling workers to upgrade their qualifications after a long period without formal training.

- The key drivers of VET demand 2003-2010 in the Access Economics model are, in decreasing order of importance, employment growth, productivity, the trend to greater part-time and casual employment (more people need to be trained for a given amount of work), changes to student fees, specific occupational demand and policy initiatives.

3.2 Trends by Industry and Occupation

- The model predicts employment shares and growth rates by both industry and occupation (see Tables 4 and 5 in the report). This is of relevance to RMIT’s profile considerations, not only in VET, but also in Higher Education.

- Across Australia, the same broad industries that accounted for most job growth in the decade to 2003 are projected to do likewise for the next decade – construction, business services, community and health services, and tourism, retail and recreation.
Across Australia, managers, professionals and associate professionals are predicted to see an increased share of employment by 2010 as technological developments continue to favour relatively more skilled workers. Carers and aides are expected to increase by 3.4% per annum as the Australian population ages and demands more services. Employment for tradespersons and production workers is expected to be more modest, while labourers and factory workers will increasingly have to face international competition.

3.3 Workforce Developments and Productivity

As the population ages, the workforce participation rate is likely to decrease with the number of people retiring set to rise strongly. This will feed into slower growth for VET over time. However, this effect is likely to be sharpest after 2012, when baby boomers start to retire in increased numbers. Encouraging workers to maintain and upgrade skills through training may be part of policy directed at keeping an older population engaged in the workforce.

Increasing student participation in the workforce, along with older workers heading towards retirement is likely to add to VET demand as more employment becomes part-time and casual.

Productivity grew strongly in Australia during the 1990s due to the spread of new technologies (e.g. IT), and a range of microeconomic policy reforms. These effects are expected to both slow in the coming decade, so that Australia’s productivity will grow a little more slowly.

3.4 Student Fees

Fees for students enrolled in publicly funded VET are generally low, representing only a small proportion of the cost of delivery (in 2002 the average fee per VET hour delivered was 50c). Victorian fees in 2002 were slightly below the national average.

Access Economics modelling suggests that VET demand is relatively insensitive to changes in price. However this estimation is difficult because VET fees have been relatively stable until recently. Results suggest that nationally, a 10% increase in VET fees would be associated with a 0.8% decrease in VET hours.