

RESEARCH ON THE ECONOMICS OF VET: THE CEET RESEARCH PROGRAM

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ABSTRACT

The paper outlines the broad framework and key themes of the 1999 research program of the ANTA-funded Monash University-ACER Centre for the Economics of Education and Training. Key research and policy issues concerning the economics of vocational education and training (VET) are identified and their implications discussed.

Development of the field

The 1993 strategic review of VET research and development identified "Policy and Economics" as one of the major areas of research need in Australia (McDonald et al, 1993, p. 42). The review conceptualised the area as being primarily concerned with "The economic benefits of vocational education and training – both at the micro and macro level, including the relationship between education and the economy and the training agenda".

It is not surprising that research on the economics of VET was accorded such high priority in the 1993 review. To a greater extent than in other fields of education, the debate about VET has a strongly economic flavour, either in terms of the productivity and earnings benefits that will (hopefully) flow from greater public and private investment in VET, or the role that financing mechanisms play in governing access to VET opportunities. Of course, the debate about VET involves far more than economic considerations, but the economy provides a persistent, and insistent, backdrop to the field as a whole. The bracketing of "Policy and Economics" in the 1993 strategic review underscores the central role that economics plays in VET decision making – as well as pointing to the direction that research should take.

What is perhaps a little more surprising is that there has, in fact, been very little systematic research on the economics of VET, or on other fields of education for that matter. Various suggestions have been offered for this lack of research attention, including the lack of clear outcomes data for much education and training activity, and the limitations of economists' tools for analysing the "black box" of education and training processes. It has also been suggested that academic economists are little interested in applied research, although the comparative strength of economic research in other applied fields, such as health, would seem to belie this.

To help fill this research gap the Economics of Education Network was founded in the mid-1980s by Ross Harrold from the University of New England as a forum for bringing together the work of those interested in the economics of education. In 1992 the area received an institutional framework through the establishment of the Centre for the Economics of Education and Training (CEET). The Centre is a joint research centre of Monash University (the Faculty of Education and the Faculty of Business and Economics) and the Australian Council for Educational Research (ACER). Since 1997 CEET has also had a collaborative relationship with the Department of Vocational Education and Training (DVET) at the University of Melbourne. In 1993 ANTA commissioned CEET to conduct the first major review of the economics of VET in Australia (Burke et al, 1994), and now provides support through the National Key VET Research Centre program.

The Centre is an interesting example of a cross-Faculty, cross-disciplinary and cross-institutional research grouping. This structure, the links with VET policy makers and practitioners that have been established, and the program that has been generated, help provide insights into key issues facing research in this area.

Identification of the research agenda

The 1994 CEET review commissioned by ANTA argued that analysis of the economic benefits of VET needed a dual focus. The work clearly needed to conceptualise and measure the contribution of education and training to economic and social development. It also needed to better understand the implications for VET of the changing nature of the Australian economy. Both of these foci require that researchers understand the VET sector itself. From an economic perspective, “the benefits of VET” refer to the *net* benefits, that is the gains that remain after the resources and costs involved have been deducted. Consideration of the benefits of VET also has a strong distributional element – which individuals and groups receive the benefits, and who pays? It is simply not possible to consider questions of the level and distribution of costs and benefits through VET without detailed knowledge of the sector itself. Self-evidently, the VET sector does not exist in isolation from wider developments in society. A key part of the research agenda, therefore lies in better understanding how VET is shaped by, responds to, and anticipates economic and social change.

The emphasis in the CEET research program on better understanding the *operations* of the VET sector to help build knowledge of the *interactions* between VET and the wider economy and society is evident in the research program conducted since 1994. Research at the macro level has included analyses of changing skill requirements in the Australian labour market and their implications for education and training, the determinants of public and private expenditure on education and training, and the factors shaping access to education and training by disadvantaged groups. Research at the micro level has included detailed analyses of institutional and program costs, and enterprise investment in training. These themes are reflected in the national conferences that CEET has organised (Ferrier & Selby Smith, 1995; Selby Smith & Ferrier, 1996; Ferrier & Anderson, 1998). What is perhaps not so evident are the implications of this approach for the process by which the research program is identified and projects conducted.

Key stakeholders from the VET sector help shape the CEET research program through a VET Advisory Committee that includes representatives from ANTA, state training authorities, TAFE institutes, private providers, employers, and VET researchers. The need for close interaction with the VET sector has also encouraged CEET to engage in collaborative research projects, and to build a staffing profile that includes people with extensive VET experience and a variety of discipline backgrounds.

The 1999 research program

The title of CEET’s 1998 research conference, *Rapid Economic Change and Lifelong Learning* was chosen on the basis that it brings together the dominant contextual issue that VET must address, and the over-arching policy response upon which VET should focus. It is the main theme around which CEET’s 1999 research program is structured.

The priority attached to this theme is evident in a number of recent policy documents from ANTA and other VET authorities (e.g. NCVET, 1997; ANTA, 1998). Examination of these documents and consultation with the CEET VET Advisory Committee suggested three broad VET policy objectives that relate directly to CEET’s interests and expertise:

1. an Australian labour force that is equipped to support, and participate equitably in, an economy that is competitive in global terms. This objective relates to the imperatives of *rapid economic change* and is concerned with the *outcomes* of the VET system, and the *context* within which VET operates.
2. public and private vocational education and training that equitably delivers quality outcomes in a cost-effective manner. This objective relates to the role of the VET sector as an integral part of a *lifelong learning* framework, and is essentially concerned with *structures* and *processes* within VET.
3. decision-makers in VET who are outward-looking, conscious of different possible futures, and aware of how the broader economic and social context affects VET policy and delivery. This objective concerns the development of the *knowledge base* that informs VET decision making, and relates to CEET’s responsibility to *actively engage* with the VET sector and to *effectively disseminate* its work.

These broad policy objectives provided a means of focusing the overall theme of *Rapid Economic Change and Lifelong Learning*, and led to the identification of seven new projects to be supported through the ANTA Key Centre grant. The seven projects are listed below and elaborated in the Appendix.

Within each broad area, one *large project* will be conducted. The large projects, which will involve substantial staff resources during 1999, are intended to consolidate and synthesise findings from the large range of studies now available in the fields concerned. This approach was adopted because of the concern expressed by the VET community that VET research in general is characterised by a large number of small-scale research projects, and that Centres can play an important role in drawing the research together and distilling its key findings and implications. Within CEET itself there was also a view that this is an appropriate time to review recent research and policy developments as a means of identifying the next generation of research questions on the economics of VET.

The other four projects in the 1999 program, which will involve fewer resources, mostly involve new areas of development for CEET.

Area 1: Research on the outcomes and context of VET.

Large project

- Occupational and skill changes in the Australian economy and their implications for education and training

Other projects

- Enterprise training, earnings and productivity to gain extra skills (N=347, 61.7%)
- Reporting and managing human resources in enterprises

Area 2: Research on structures and processes within VET.

Large project

- The costs and financing of education and training

Other projects

- VET teachers and lifelong learning
- VET and the voluntary sector: conceptualising the issues

Area 3: Research to improve the knowledge base for decision making on VET.

Large project

- Update and review of recent developments in the economics of education and training

In addition to these projects CEET will also conduct a range of specially commissioned studies during 1999 for NREC and various state and national authorities. It will also maintain a substantial dissemination program for the VET sector in terms of conferences, newsletters, publications and workshops.

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APPENDIX

CEET's 1999 research program supported through the ANTA Key Centre Grant

| Short Title | Rationale and Outline | Intended Outcomes |
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| Objective 1: An Australian labour force that is equipped to support, and participate equitably in, an economy that is competitive in global terms (VET Outcomes and Context) | | |
| Large Project Occupational and skill changes in the Australian economy and their implications for education and training | The demand for new forms of education and training is in large part derived from changes in the structure of occupations and skills required in the economy. Changes in these requirements derive from changes in the pattern of demand for goods and services, and new ways of organising work to meet those demands. The continuing pressures to open the Australian economy to overseas and domestic competition, and technological changes, mean that some types of occupations and skills are in decline while others expand and develop anew. There is an on-going need to analyse changes in the structure of occupations and skills, the causal factors that are at work, and the impact of such changes education and training provision. | The project would draw together the empirical findings and policy implications from a range of CEET and other research. It would provide more detailed analysis than is currently available from any single source on trends in the occupational and skill structure, including the age and gender distribution of occupational groups, and the factors driving occupational change. The results would be disseminated in papers and presentations to education and training policy makers. |
| Enterprise training, earnings and productivity | A key requirement for the development of a training culture in enterprises is to increase the pay-off from training in terms of higher earnings for employees, and higher productivity for enterprises. This project would use multivariate techniques to analyse ABS and other national data to determine the level and distribution of benefits from different forms of training. Preliminary work on the data sets indicates that a high level of disaggregation will be possible. | The project would provide an improved understanding of the benefits of enterprise training in Australia, and the returns to different forms of training. The work would be underpinned by a review of existing studies. The results would be communicated via papers and conferences to policy makers, HR development practitioners, and researchers. |

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| <p>Reporting and managing human resources in enterprises</p> | <p>One way to focus attention on the benefits of human resource development is to more systematically measure, and report on, the stock of human resource assets in enterprises. Better human resource reporting would improve the internal management of human resources, as well as the external efficiency of the allocation of capital to enterprises. This project would involve case studies of a small number of enterprises that are developing new reporting tools in the HR area.</p> | <p>The project would help provide increased incentives for investment in human resources by better measurement and reporting of enterprise HR stocks. Write-ups of the case studies would be directed principally at VET policy makers and the HR development community.</p> |
| <p>Objective 2: Public and private vocational education and training that equitably delivers quality outcomes in a cost-effective manner (VET Structures and Processes)</p> | | |
| <p>Large project The costs and financing of education and training</p> | <p>Policy initiatives to improve learning outcomes through means such as new learning technologies, and the opening up of lifelong learning opportunities, need to be underpinned by detailed analyses of their cost implications and possible financing mechanisms to bring them about. This project would attempt to fill some of the substantial knowledge gaps in the costs and financing of Australian education and training, especially at the micro level.</p> | <p>The project would provide a better understanding of the level and composition of costs in different education and training sectors and programs, and how various financing mechanisms may contribute to efficiency of operation and equity of access. The results would be presented in a book that discussed the conceptual and methodological issues, as well as empirical results.</p> |
| <p>VET teachers and lifelong learning</p> | <p>The VET sector is increasingly orienting itself to providing students with the skills and attitudes to be effective lifelong learners. However, there is evidence that VET teachers participate to only a limited extent in professional development intended to keep them up-to-date in the dynamic environment in which they now operate. The project would build on the current work on trends in the TAFE workforce to examine how to support VET teachers from a lifelong learning perspective.</p> | <p>The project would provide a clearer understanding of the professional development needs of VET teachers within a lifelong learning context, and examples of good practice in this regard. The papers and workshop presentations from the project would be aimed mainly at policy makers in state training authorities, and staff in VET institutes.</p> |
| <p>VET and the voluntary sector: conceptualising the issues</p> | <p>The voluntary sector is serving increasingly important social and economic purposes as paid employment declines and the role of government is being redefined. However, there has been little explicit consideration as yet of the implications of the growth of this sector for VET providers, and how the interactions between the two sectors can be enhanced. This project would start the process of a conceptual mapping of the issues involved.</p> | <p>The project's main task would be to organise, and write-up, a seminar that would bring together key stakeholders in the voluntary and VET sectors to discuss issues of mutual concern. A key purpose of the seminar would be to consider the implications of an increasing role for the voluntary sector in a society with a diminishing demand for paid labour.</p> |
| <p>Objective 3: Decision-makers in VET who are outward-looking , conscious of different possible futures, and aware of how the broader economic and social context affects VET policy and delivery (Knowledge Base for VET Decision Making)</p> | | |

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| <p>Large project</p> <p>Stocktake of developments in the economics of education and training</p> | <p>In 1994 CEET produced a major review of the economics of education and training in Australia. This project would update the earlier work by reviewing developments since 1994 in the structure of the Australian labour market, the factors that shape the demand for, and supply of, education and training, policy and practice in education and training, and new findings from research.</p> | <p>A state-of-the-art review of the economics of education and training in Australia, including the identification of major gaps in the knowledge base, and priorities for future research work. The main audience for the review would be VET policy makers.</p> |
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