

The House That TAFE Built

The Economic & Social Benefits of TAFE

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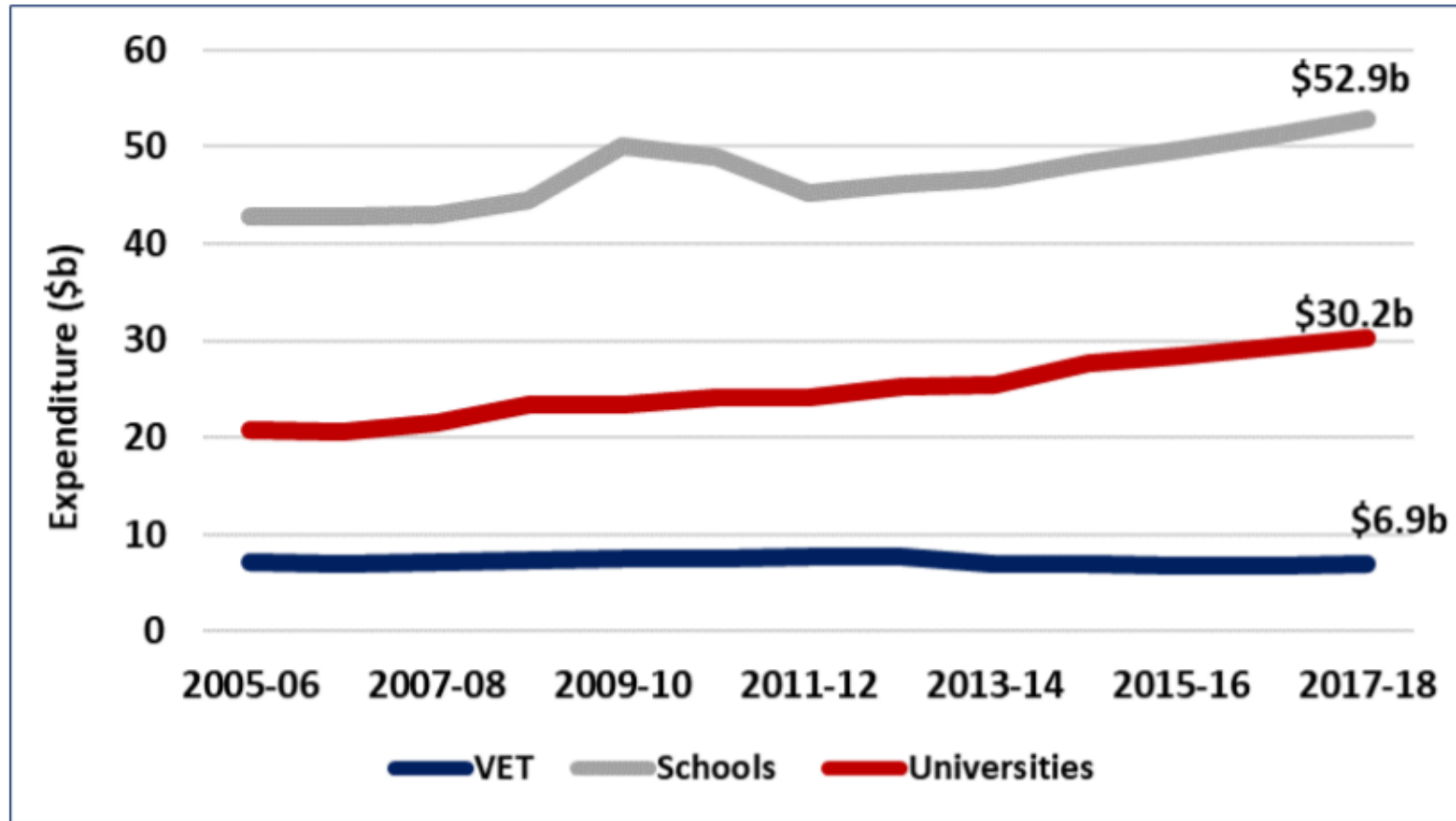
Economics of a Pandemic Webinar, 13 August

Australia's VET Disaster

- Dramatic restructuring since 2000s.
 - VET FEE-HELP.
 - Shift students to private providers; Lower quality, high fees, fraudulent marketing.
 - Cut funding to TAFEs (only 35 remaining).
- Treat VET as a “residual” for people who didn't get into university.
- Collapse in enrolments of 450,000 from 2015-18.
- Prolonged technical & trades skills shortages.
- 330,000 less apprentices in training by 2023 than at 2012 (70% decline, Mitchell Institute)
- \$2B JobTrainer no mention of TAFE
- Productivity Commission (2020) uncapping fees, vouchers replace direct provider funding, VET FEE-HELP 2.0?

Widening Funding Divergence

Figure 3. Real Government Funding by Sector (2005/6 to 2017/18).



Source: Author's calculations from ABS Catalogue 5518.055.001, Table 2. Figures adjusted to 2018 dollars.

COVID19: Employment & Recruitment In Crisis

- Millions need skills to prepare for future jobs.
- Urgent need for youth training-jobs pathways.
- Long-run skills investment beyond reach of Aus businesses:
 - 15yrs of firm growth dominated by small firms
 - Lower investment in skills, innovation & capital.
 - +200,000 micro-firms 0-5 employees
 - 20,000 fewer med. firms (20-199 employees), 2,000 fewer large firms (+200)
- Stable, high-quality, integrated public VET system can rebuild employer confidence & fuel future jobs (incl. ones we cant see now!).



New TAFE Research:

- Multi-dimensional approach to quantifying economic benefits and costs of the national TAFE system.
- TAFE graduates represent 72.5% of VET-qualified workforce.
- **Despite chronic underfunding,** historic investment in TAFE generates enormous & ongoing dividend to Australian economy.

Three Streams of Economic Benefits

1. The Economic Footprint of TAFE Activity.

- Value-added by TAFE institutes, supply chain purchases, direct & indirect employment, consumer spending from TAFE incomes.

2. Higher Earnings and Productivity.

- Higher earnings of skilled TAFE grads, higher productivity benefits to employers, increased tax revenue.

3. Fiscal savings.

- Less government spending on welfare benefits & healthcare costs

1. Economic Footprint of TAFE

- Over \$6 billion in economic activity generated by TAFE p/yr:
 - \$3 billion GDP from direct activity of TAFE.
 - Incl. \$2.3 billion in wages & salaries.
 - \$1.6 billion in purchases & inputs across TAFE supply chain.
 - 113 different sectors including Property, admin, computer & tech services, transportation.
 - \$1.5 billion “downstream” incremental consumer spending on Aus-made goods & services.
 - From \$3 billion total employment incomes.

TAFE constitutes a major economic industry in its own right!

Jobs-Generating Impacts

- 30,000 direct TAFE jobs (FTE).
 - \$2.3 billion in wages & salaries.
- 8,000 indirect jobs (businesses supplying TAFE).
 - \$700 million in wages & salaries.
- 10,000 “downstream” jobs from consumer spending.
 - \$3 billion total employment incomes generate \$1.5 billion incremental consumer spending.

Total employment impacts of TAFE institutes = 48,000 positions.

2. Higher Earnings, Productivity, Revenues

TAFE grads enter labour force with better employment prospects & better skills:

- 39% higher annual earnings compared to workers with no-post school qualifications (or \$19,000 p/yr).
- Total annual benefit of higher earnings to TAFE grads = \$49.3 billion.

Business benefits from superior TAFE-skilled productive workforce:

- Annual business productivity benefits = \$35.6 billion.
- Government's do better too! Increased tax takes = \$25 billion.

Increased Employability, Lower Unemployment

- TAFE has increased the no. of VET-educated employed people by 486,000;
 - Higher labour force participation & employability.
- 65,000 people in employment who would otherwise be unemployed (if no post-school qualifications).

3. Reduced Fiscal Outlays

Reduced welfare expenditure

- 64,880 fewer unemployed due to holding TAFE qualification
= \$1.2 billion reduction in welfare spending.

Reduced health expenditure

- 750,000 VET-qualified workers would be more likely to have long-term health condition if they had no VET qualification.
- Total reduction in health related costs = \$289 million.

TOTAL SAVINGS = \$1.5 billion p/yr.

Wider Social Benefits

- Extends training to regional areas not well-served by private training market.
- TAFE students more likely to be regional, low-income, Aboriginal, or have disability.
- Bridges to further education for at-risk groups.
- Stronger socialisation outcomes than private providers: More confident with skills, better communicators, made friends, identify as leaders in community.

Total Annual Costs

- TAFE delivery costs are modest - only \$5.7 billion in 2018 – or 0.3% GDP.
- Includes 5 categories of direct costs:
 - Commonwealth & state/territory govt funding for training & administration;
 - Employer & student assistance payments;
 - Loans & income supports;
 - Student fees;
 - Employer apprentice training costs.
- Government tax takes from higher earnings & productivity of TAFE grads worth \$25 billion: 4.4 times more than amount spent on running the TAFE system.

Summary of Total Impact

Table 1

TAFE Annual Economic Impact Results

TAFE Economic Footprint	\$6.1 billion
Higher Earnings and Productivity (Includes Higher Tax Revenues)	\$84.9 billion (\$25 billion)
Fiscal Savings (Social Benefits)	\$1.5 billion
Total Benefit	\$92.5 billion
Total Annual Costs	\$5.7 billion

Maintaining the 'House'

- Enormous benefits flow from TAFE investment:
 - **16X more** than annual 'maintenance' costs invested in TAFE system.
- But TAFE 'house' crumbling from neglect & policy vandalism.
- Must act quickly to ensure economic benefits not squandered...
- Reinstate the critical role that TAFE plays in the VET system.



Rebuilding a VET System Anchored by Public-funded TAFE

- Expand funding to VET system (lift TAFE funding to min. 70% total VET).
- TAFE central stakeholders in industry policy.
- Reverse fee distortions & re-balance post-school education system.
- Urgent action on youth unemployment:
 - Comprehensive free national TAFE program
 - 300,000 free positions = \$2 billion p/yr.
 - 50% wage subsidy for 100,000 new apprenticeships = \$2.5 billion p/yr.

Thank You!

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