



Australian Government

**Department of Industry
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Ms Patricia Scott
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Dear Ms Scott

COAG VET reform Study: comments on work-in-progress draft

Thank you for the opportunity to participate in the workshop on Thursday 5 April 2012 and comment on the latest draft report.

I appreciate the efforts of the Commission in incorporating our earlier comments on the previous draft and, more generally, the quality of the analysis underpinning the report. While unfortunately I was not able to attend the recent workshop, I have been briefed by Martin Graham on the workshop discussion. There are two points I would like to highlight, both of which have the potential to understate the benefits of VET reforms in your modelling approach.

The first relates to the approach of discounting productivity benefits from training and education by around 25% to take into account students' abilities. I understand a number of the workforce participants suggested that a more conservative approach may be warranted. We would also support a smaller adjustment. While there is logic in applying some discount, there are some specific aspects to VET that need to be taken into account. In particular, as well as providing a signaller of ability, VET qualifications are often an entry requirement for employment in a particular profession or sector and provide specific competencies rather than general learning. These qualifications are therefore often critical to realising natural abilities.

Secondly, I favour a conservative approach regarding assumptions that those undertaking education and training are likely to have significantly lower wage outcomes than others working in that profession. I understand that the workshop highlighted a range of complicating factors going either way, including the benefits of experience as opposed to currency of training. Assumptions regarding the benefits of experience may be more relevant for professions requiring tertiary qualifications than for many VET qualifications where the competency to perform the job is provided through the qualification.

Again, thank you for the opportunity to provide input to this study. If the Commission would like to discuss these issues further please contact Martin Graham

Kind regards,

Peta Furnell
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VET Reform Division
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