



Can VET help create a more inclusive society?



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INTRODUCTION

This publication provides a summary of a program of research undertaken for the National Centre for Vocational Education Research (NCVER) by the Melbourne Institute of Applied Economic and Social Research between 2011 and 2014. Comprising six projects, the body of work focuses on the impact of education and training on social inclusion and on the labour market outcomes of disadvantaged learners.

In this publication, 'disadvantaged' is used to encapsulate those from low socioeconomic (SES) backgrounds, individuals with a disability, those from non-English speaking backgrounds and Indigenous Australians.

HIGHLIGHTS

- Social inclusion is about being able to fully participate in social and economic life. Education and training has a key role in enabling this.
- For students from disadvantaged backgrounds, progression in educational qualification levels may require more detours or stages than for the average student. But progression is important.
- In terms of social inclusion, there is a clear split in Australia's society along educational lines: those without Year 12 or, at most, certificate II qualifications are much less socially included than those who have completed Year 12 or at least a certificate III qualification.
- Policy and program efforts therefore should be focused on school completion and articulation to at least certificate III level.

BACKGROUND

VET plays a significant role in contributing to an inclusive society.

Social inclusion is concerned with people's full participation in social and economic life. This is achieved when individuals have the opportunity, resources and capability to:

- undertake education and training
- get a job
- receive an adequate income
- access services
- have meaningful connections with family, friends and within a community
- the ability to influence decisions that affect them

(Australian Social Inclusion Board 2012; McDonald 2011)

But, for some, limitations or restrictions in access to resources and opportunities, and/or a lack of capabilities can adversely affect their participation in society and in doing so increase their likelihood of being socially excluded (Australian Social Inclusion Board 2012).

With the economy becoming increasingly skills-based and with the growing importance of having recognised qualifications to secure a job, there is a greater risk of becoming socially excluded through lack of qualifications. This gives vocational education and training (VET) a particularly important role, because it is highly accessible and adaptable, including for those who, due to their life circumstances, may be regarded as disadvantaged.

Although the word 'disadvantage' is used here, readers are encouraged not to think of this term as a personal attribute but, instead, consider it a statistical marker based on historical outcomes for the group to which the individual belongs. These groups are characterised by individuals who:

- grew up or live in low SES households or neighbourhoods
- are of Indigenous or Torres Strait Islander descent
- possess limited English language ability
- have low levels of formal education
- are older workers (re-)entering the workforce
- have a disability.

A video presentation by authors Hielke Buddelmeyer and Cain Polidano, which summarises the six research projects undertaken by the Melbourne Institute of Applied Economic and Social Research, is available from the NCVET Portal at <http://www.ncver.edu.au/publications/2817.html>.

VET'S ROLE IN WIDENING SOCIAL PARTICIPATION

The impact of education on the extent or depth of the social participation an individual experiences is demonstrated in *Educating oneself out of social exclusion* (Buddelmeyer, Leung & Scutella 2012). This study builds on previous work undertaken by Scutella and colleagues in 2009 for the Brotherhood of St Laurence and uses a measure of multidimensional social exclusion that incorporates seven dimensions of exclusion: material resources, employment, education and skills, health and disability, social interactions, community and personal safety.

The study had two components:

1. The static relationship between education and exclusion

Data from the Household, Income and Labour Dynamics of Australia (HILDA) Survey was used to cross-tabulate social exclusion rates with education levels to identify the static relationship between education and exclusion.

The study found that, at its most basic level, there is a real divide between early school leavers and/or those who hold, at the most, a certificate II qualification, and the rest. This divide remained even when different definitions of exclusion were applied and also persisted over time. Therefore, to avoid exclusion, people need to at least finish school or attain a certificate level III. Attaining qualifications higher than certificate III, including bachelor degrees, only marginally reduces the risk of exclusion further.

Overall, social exclusion rates can be attributed to each of the seven individual dimensions. It is estimated that approximately 12% of social exclusion can be attributed to the education and skills dimension, but the material resources dimension (that is, income, expenditure, net worth, financial stress) is the largest driver of exclusion, contributing between 30% and 40%. Hence, education, skills and material resources taken together are driving nearly half of social exclusion, with the remaining five dimensions making up the other half.

Completing Year 12, or at least a certificate III/IV, is vital for increasing an individual's degree of social participation.

The long-term benefits to increasing educational attainment can help improve multidimensional social exclusion.

2. How education can help improve social inclusion

Simulating what would happen to exclusion rates if Australia's educational attainment were lifted to the Council of Australian Governments (COAG) target of halving the proportion of Australians aged 20–64 years without qualifications at certificate III level and above between 2009 and 2020.

Because education and skills is one of the domains of multidimensional social exclusion, increasing educational attainment directly increases inclusion. However, because the contribution of the education and skills domain to overall social exclusion is only about 12%, this immediate impact is relatively modest. Alternatively, a longer-term view can be taken: if it is accepted that, with increased educational levels, other variables such as health, income and labour market outcomes will also change, then the impact on the multidimensional exclusion measure is stronger, resulting in a reduction of the 'headcount' measure of social exclusion of approximately 30%. Note that the change in the other variables will, on average, take on the levels observed for current school completers.

It might be considered this is mainly due to assuming higher incomes ('material resources') in tandem with assuming higher education levels. This is not the case, as the income poverty headcount ratio barely changes. It is the other dimensions, such as health, personal safety and employment, and in particular their combined impact, which reduce multidimensional social exclusion under the COAG scenario.

For further information about the Brotherhood of St Laurence Social Exclusion Monitor and to see the latest research based on its data, go to <http://www.bsl.org.au/research-and-publications/social-exclusion-monitor/>.



EQUITY OF ACCESS TO VET

It is unrealistic to expect VET to be a silver bullet, but one possible reason why education effects are not maximised is the imbalance between skill needs and the availability of places in VET. In 2009, with the introduction of the Victorian Training Guarantee (VTG), the VET sector in Victoria experienced a fundamental change to the way in which it was funded. The VTG meant an entitlement to a publicly-funded place in VET, giving students greater freedom to take up the course of their choice from both public and private providers. The report *Early impacts of the Victorian Training Guarantee on VET enrolments and graduate outcomes* (Leung, McVicar, Polidano & Zhang 2014) estimates the short-term effects of the VTG on student enrolments, their course choices and their outcomes.

People from disadvantaged backgrounds take advantage of increased access to VET to a lesser extent than those who are not.

The effects of the VTG on enrolment and employment outcomes

It is estimated that the VTG raised enrolments in 2011 by an additional 35 percentage points. The introduction of the VTG also saw increased enrolments for two key equity groups: students with a disability and those from non-English speaking backgrounds, although to a lesser extent than the increase for non-equity group students. The VTG is estimated to have had no discernible impact on the enrolments of Indigenous students.

Much of the increase in enrolments has been realised as increased enrolments in private training institutions. TAFE (technical and further education) enrolments on the other hand were relatively unaffected, suggesting that private providers have done better than TAFE in the short-term in meeting increased demand for publicly subsidised places under the VTG.

The evidence presented in this study suggests that for those aged 15–19 years the VTG had positive impacts on outcomes. In particular, for course graduates in this age group, the VTG is associated with a statistically significant improvement in the chance of being employed full-time six months after completing a course (five percentage points) and in the chance of being satisfied with their course (four percentage points). These positive employment outcomes may work through a number of different channels, including greater access to training related to skill shortage areas and the improved quality of training, as a consequence of greater competition.

No significant results were found for employment outcomes for disadvantaged groups, such as students with a disability and those from non-English speaking backgrounds, due in part to the small sample sizes and the imprecise estimates. Insignificant employment outcomes were also found for older cohorts (20–25 years), which the analysis suggests may be because the entitlement for this group was restricted to higher-level courses.

VET'S IMPACT ON LABOUR MARKET STATUS

There are labour market benefits in undertaking VET qualifications, but the degree of benefit varies between learners.

If the depth of social inclusion is partly determined by educational attainment, the question naturally arising is whether the beneficial impact of education is the same for disadvantaged and non-disadvantaged students. The report *The impact of disadvantage on VET completion and employment gaps* (McVicar & Tabasso 2016) addresses this issue by examining the issue of VET completion gaps and subsequent gaps in labour market outcomes.

For 'disadvantaged learners'

The study found a post-training 'employment gap' six months after completing a VET course; that is, those who do not belong to a disadvantaged group have higher post-training employment rates than those who do. Graduates with low levels of English language proficiency are around 45 percentage points less likely to be employed compared with native English-speaking graduates. For Indigenous students and students living in low SES areas, the employment gap after course completion is not as large.

The authors also found evidence of a 'completion gap', or lower rates of course completion, among those who belong to a disadvantaged group compared with those who do not. The largest completion gaps are found for Indigenous students and people who experience multiple disadvantage (around ten percentage points), while the smallest gap is for those with limited English language skills (around two percentage points).

Arguably, the most important finding from the study was that the completion gaps between disadvantaged and non-disadvantaged students only explain a very small part of the post-training employment gaps. Only for Indigenous students do the lower completion rates explain a sizeable share of the employment gap compared with non-Indigenous students. McVicar and Tabasso instead find that post-training employment gaps are explained more by differences in observed student characteristics, particularly the lower engagement in work prior to study by disadvantaged students.

These results suggest that improving the completion rates among disadvantaged students is not likely to bridge the employment gaps that appear soon after completion and that efforts may be better directed at early career preparation.

For 'older' Australians

In *Studying beyond age 25: who does it and what do they gain?* (Coelli, Tabasso & Zakirova 2012) the authors investigate the determinants of participation in formal education and training at more mature ages, and the impact of this participation on their labour market outcomes.

Among the ten labour market and wellbeing outcomes that are investigated, only a small number were affected by mature-age study and, overall, the positive effects of mature-age education were found to be quite modest for men, but stronger for women. For instance, disposable income increased for females undertaking VET studies (certificates and diplomas) only, while wage rates increased for males undertaking university studies (bachelor and above) only. Males who engaged in VET study did report higher levels of job satisfaction, higher use of skills in the job and a reduction in the number of weekly hours of work. They were also more likely to retain employment if they completed their study and gained a qualification.

For females, the effects of mature-age education were mostly related to employment status. VET-level studies in particular led to higher levels of satisfaction with employment opportunities and a higher probability of employment among previously non-employed (unemployed or out of the labour force) women. By enrolling in VET, women can increase their probability of finding a job by around 33 percentage points. Enrolment in a bachelor degree or higher also increased the probability of females retaining a permanent job by almost ten percentage points.

Mature-aged female
VET students
experience positive
employment-related
benefits from
training.



VET AND CASUAL EMPLOYMENT

The work by Coelli, Tabasso and Zakirova (2012) on studying beyond age 25 years highlighted the importance of VET for older workers in being able to move to full-time employment. The report *Training and its impact on the casual employment experience* (Buddelmeyer, Leung, McVicar & Wooden 2013) builds on the 2012 study by examining the population of casual employees and investigating whether work-related training leads to a permanent, or more positive, work experience.

Buddelmeyer and colleagues found that casual workers who receive work-related training are more likely to move into permanent or fixed-term employment over the following 12 months than casuals who do not receive work-related training. The effect is larger for men (6.4 percentage points) than for women (1.6 percentage points). However, the research also found that it was more likely that these effects reflect differences in other characteristics of the workers who do and do not receive work-related training, rather than the training having a true impact on transitions per se.



VET IN THE SCHOOL CURRICULUM

Various policies at both national and state levels are aimed at helping disadvantaged individuals to reach their educational potential and improve their labour market opportunities. The introduction of VET in Schools in the 1990s is one such initiative that aims to retain less academically inclined students in school, while also providing them with a broad range of post-secondary options. This initiative was expanded in the early 2000s with the introduction of scored VET subjects, which allows for some VET in Schools subjects to count towards a national VET qualification and a university entry score, providing yet more options for students.

This aspect of VET in Schools programs is the focus of *Does scored VET in schools help or hinder access to higher education in Victoria?* (Polidano, Tabasso & Zhang 2014). The motivation for introducing scored VET subjects was to improve the status of VET in the secondary school curriculum. A further benefit was that it offered viable options to students who were not entirely certain of which pathway to take – university or vocational education and training. Victoria was the focus of the research because its VET programs have been highly integrated into the Victorian secondary school curriculum since the 1990s and it was the first state to introduce scored VET programs.

The effect of undertaking a scored VET subject

The study shows that, among those who intend to go to university, students who take a scored VET subject on average have a university entry score of around six points lower than those who do not take a scored VET subject (111 compared with 117 out of a possible 205). Consistent with a lower university entry score, those who take scored VET subjects have a 12-percentage-point lower chance of receiving a university offer.

Most of the lower university entry score can be attributed to the relatively low scores attained in scored VET subjects. An exploratory analysis suggests that current subject-scaling arrangements in Victoria that adjust for differences in the difficulty in attaining the middle ranking in a subject may be a key reason. In particular, scored VET subjects appear to be scaled down more than general subjects. This is because there is a relatively high proportion of lower-achieving students in these subjects who do not apply for university but who concentrate their effort in VET subjects, possibly to attain a vocational qualification. This research highlights an example of an unintended outcome resulting from efforts to make VET meet conflicting purposes; namely, opening up VET pathways without closing off higher education options.

**Broadening VET
in Schools
pathways may
not necessarily
benefit all
students.**

LESSONS FOR POLICY

Closing the gap may be more difficult than realised.

While there can be quite sizeable disparities between disadvantaged and non-disadvantaged students, in terms of their educational and labour market outcomes, and the extent of their social inclusion, in none of the research does it become apparent that this gap can be closed. At best, it can be narrowed. Even when a large portion of the gaps can be ‘explained’, meaning that we have identified the specific factors and the extent to which they contribute to the gap, it is often not realistic to expect policy to influence those factors. However, three main insights with direct relevance to policy can be drawn from the work presented here.

1. Reforms that increase the accessibility and opportunity to enrol in VET will be taken up by all students, including disadvantaged students

Unfortunately, disadvantaged students take up the opportunities to a lesser extent. However, it is likely that take-up by this group of students can be increased if reforms that aim to improve participation in VET give disadvantaged groups the flexibility to explore different education pathways without restricting their choice to higher-level courses. This is not a call to publicly fund continued enrolment in courses that are at, or below, a student’s current level, but recognition that for disadvantaged students the progression in qualification levels may require more detours than those which may occur for the average student.

2. Progression is important

When considering social inclusion, a clear split along educational lines is apparent in Australia’s society. Those without Year 12 and with up to, at most, certificate II qualifications are much less socially included than those who have completed Year 12 or who have obtained a certificate III or higher. When time, energy and resources are scarce, and if the goal is to increase social inclusion, efforts should be focused on school completion and articulation to certificate III level, rather than on increasing university enrolments.

3. VET is being asked to meet a range of objectives

When the objectives are incompatible, there is a risk of unintended consequences, as highlighted in our analysis of the outcomes of scored VET in Schools subjects on university access in Victoria. While scoring VET subjects helps to better measure performance and improve the status of VET, it would appear that the current scaling arrangements in Victoria, which aim to put scores from different subjects on equal footing, do not cater for the peculiarities of scored VET subjects. The result is that students who take scored VET subjects and who intend to go to university may be disadvantaged by excessive down-scaling of their VET subject. A possible reform to avoid this impact would be to consider scaling subjects for university entry based solely on the results of the students who intend to go to university. Such a reform could involve VET students ‘opting in’ to sit an exam to have their VET score count to university entry (as happens in NSW), rather than having them opt out.

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