

**Senate Committee: Education and Employment**

**QUESTION ON NOTICE  
Additional Estimates 2014 - 2015**

**Outcome: Higher Education Research and International**

**Department of Education and Training Question No. SQ15-000152**

Senator Carr, Kim provided in writing.

*Also refer to previous Question No. ED0405\_15*

***Paper by Long and Shah – published by NCVET in 2008 – on rates of return to VET qualifications***

**Question**

"I refer to the paper by Long and Shah – published by NCVET in 2008 – on rates of return to VET qualifications.

- (a) What do the authors of this paper find the average rate of return on a Certificate III or IV to be?
- (b) What rate of return did the Lomax-Smith Base Funding Review find that a bachelor's degree would bring?
- (c) Did the Government make this comparison when formulating its 2014 Budget package?
- (d) Why did the Government choose to use "earnings over a lifetime" figures instead of the more generally used "rates of return" figures? Are "rates of return" figures commonly used in discussion about student financing?
- (e) Is it the case that the rate of return of a Certificate III or IV is higher, on average, than that for a bachelor degree?
- (f) Don't these figures show that, financially, it might be better to undertake a trade course than a university degree?"

**Answer**

- (a) The 2008 paper by Michael Long and Chandra Shah titled *Private returns to vocational education and training qualifications*, does not present an average private internal rate of return for a Certificate III or IV. Instead, the paper presents a range of private internal rates of return based on varying parameters such as course cost, duration, gender and qualification level.
- (b) The Base Funding Review commissioned the Centre for Labour Market Research (CLMR) to estimate private internal rates of return to a higher education degree. The CLMR found that the average annual private internal rate of return to a higher education degree is 15 per cent for males and 12 per cent for females in Australia.
- (c) No. As far as the department is aware, there are no published papers that compare the private internal rate of return between VET and higher education.
- (d) There are several methodologies available for estimating the private benefits of undertaking higher education. While estimates vary according to the methodology adopted, they all show that, on average, the completion of a degree provides a significant benefit to the student.

- (e) The private internal rates of return published for different qualification levels are not directly comparable due to the different parameters used in the modelling, such as duration of study, costs of study and forgone income while studying.
- (f) The private internal rates of return are not comparable.