



Public Consultation on Proposed Exchequer – Employer Investment Mechanism for Higher Education and Further Education & Training

April 2017

A written submission to the Department of Public Expenditure and Reform
by the Irish Exporters Association

Introduction

The Irish Exporters Association (IEA) assists its members to grow their exports to world markets. We drive and support the growth and development of all exporting businesses based in Ireland by:

- **Representation** – leading the export agenda as the voice of Irish exporters
- **Membership development** – enhancing the export knowledge and skillset of members through a range of training services and export development programmes
- **Networking & Connectivity** – connecting our members with government and business stakeholders domestically and in market
- **Export Services** – enabling our members with practical assistance and critical support services

The IEA represent the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland. It is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

In compiling this submission, the IEA reached out for input from the National and Regional Council members.

Question 1: Is an increase in the National Training Fund levy as set out in this consultation paper the most appropriate way to meet the recommendations of the Expert Group report regarding enhanced employer funding contributions?

Yes, the IEA understands that a significant programme of reinvestment is now needed to address demographic challenges and for the government to continue to deliver a steady stream of quality graduates to meet national economic and societal objectives.

The IEA welcomes the aim of the Action Plan for Education 2016 – 2019 to systematically reduce the skills gap in areas of critical skills need in higher education by providing 50,000 upskilling and reskilling places.

Initiatives that focus on the mid-tier space between school leavers entering the workforce (untrained) and graduates such as apprenticeships and traineeships need stronger financial and educational resources to assist in developing relevant skills. However, engagement with these apprenticeships will be different on a sector by sector basis. Certain career paths in Ireland are historically unpopular, for example a meat processing member of the IEA finds it difficult to secure staff in Ireland to take on butchery roles and must source staff from abroad, despite providing training for the profession. *“The reasons for this are anecdotal because the work is hard, quite repetitive and pay rates (whilst above minimum wage) are not deemed to be particularly attractive,” IEA Member.* Due to this, there is the fear that not every sector will feel the benefits of the National Training Fund levy. Increasing the levy could give extremely limited returns for some sectors / professions and perhaps the levy needs to be adjusted on a sector by sector basis.

Are there alternative models such as partnerships with education providers or direct employer contributions, of the scale required to deliver the same result in a more effective manner, given the level of increased levy revenue being indicated?

With regard to the section of the consultation paper on “Employer roles in student/graduate formation, workforce development and research and innovation”, the IEA strongly feel that every

employer with over a certain amount of employees, say 100, should be mandated to take on 1 work placement per 100 further employees or part thereof for a minimum 9 month placements. Employers need to play their part.

Question 2: What are the implications for the National Training Fund Act in a changed landscape of employer-education engagement?

Given the high proportion of graduates in the Irish workforce, employers are major beneficiaries of the outcomes of Higher Education. If the proposed introduction of structured contributions from employers is rolled out in a structured and transparent format with optimum engagement from employers it could have very positive implications for the National Training Fund Act. In order for the economy to progress employers need a skilled and educated workforce.

Question 3: In what ways can increased National Training Fund levy contributions be linked to

(i) identifiable skills needs,

The National Training Fund levy contributions will ultimately lead to greater numbers with the appropriate skills entering the workforce and thus lift the overall standard of talent nationally.

(ii) the workforce development agenda and

Employers should be mandated to participate in workforce development, one approach could be that some placement work could be used in lieu of the levy for participating companies.

(iii) the local, regional and national roles of institutions?

One approach that increased National Training Fund levy contributions could be linked to regional institutions would be that funds could be allocated to regions of higher unemployment at a slightly higher rate than other better served regions.

Question 4: How can increased National Training Fund levy contributions be used to support further forms of employer-education engagement, flexible forms of education and training delivery, and, the education and training outcomes required to meet forthcoming skills needs?

In order for the National Training Fund levy contributions to be used to support further engagement, employer participation and buy-in is imperative.

High levies placed on employers could possibly be replaced or reduced by employers offering work placement or in work training (long term placements – minimum 9 months) so that employers feel that there is a choice and paying levies is not a forced requirement. But these placements should be done in the specific realm of the NTF.

Question 5: Is the manner in which we develop, nurture and deploy talent central to HE and FET and other sectoral strategies?

Yes, as we have seen in the past with, for example medicine, using the CAO points system alone as a determinant of entry does not necessarily attract what people would consider suitable medical candidates, a more holistic approach is called for to ensure balance between levels – not all entrants will stay at the core of their education, many will migrate to management and should be educated for such roles – currently it does not form a sufficient proportion of the syllabus in and across any

discipline. We also need to accommodate those who wish to transfer to a different discipline and bring the skills with them.

Question 6: Are there skills gaps existing or emerging which require a more coherent response from the HE and FET sectors?

In March 2017, the IEA released results of a survey conducted with its members regarding Irish exporters' sentiments on critical issues that have both direct and indirect impacts on business. Last year 70% of members surveyed said that their exports had increased which shows that business is on the rise. However, expanding businesses are finding it difficult to recruit and retain staff.

- 61% of members experienced difficulty in recruiting suitably qualified staff in 2016 (fig. 1).
- The top roles where respondents experienced difficulty recruiting staff included:
 - Engineering 18%
 - Sales & marketing 18%
 - IT 12%
 - Supply chain 12%
 - Transport logistics 12%
 - Process & manufacturing 11%
- Difficulties that members experienced in recruitment or retaining of staff included:
 - Lack of available talent in Ireland 37%
 - Meeting salary expectations 36%
 - Competition in Ireland from other companies 25%
 - Cost of living in Ireland 15%
 - Affordable housing 14%
 - Meeting benefits expectations 13%
 - Unattractive income tax levels 10%
 - Transport infrastructure 7%
 - Childcare costs in Ireland 5%
 - Other 4%
- 61% plan to increase staffing levels in 2017, 5% plan to decrease and 34% plan to maintain staffing levels in 2017 (fig. 2)
- 21% are planning to create upwards of 30 jobs over the next 5 years and 63% plan to create between 1 and 30 positions (fig. 3)

FIGURE 1: WERE THERE VACANCIES IN YOUR COMPANY IN 2016 WHICH YOU FOUND DIFFICULT TO FILL?

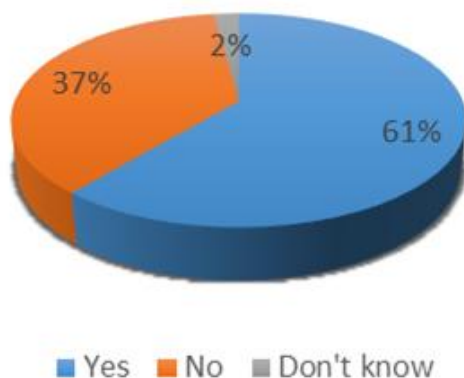


FIGURE 2: 2017 PLANS INCREASE, DECREASE OR MAINTAIN STAFFING LEVELS

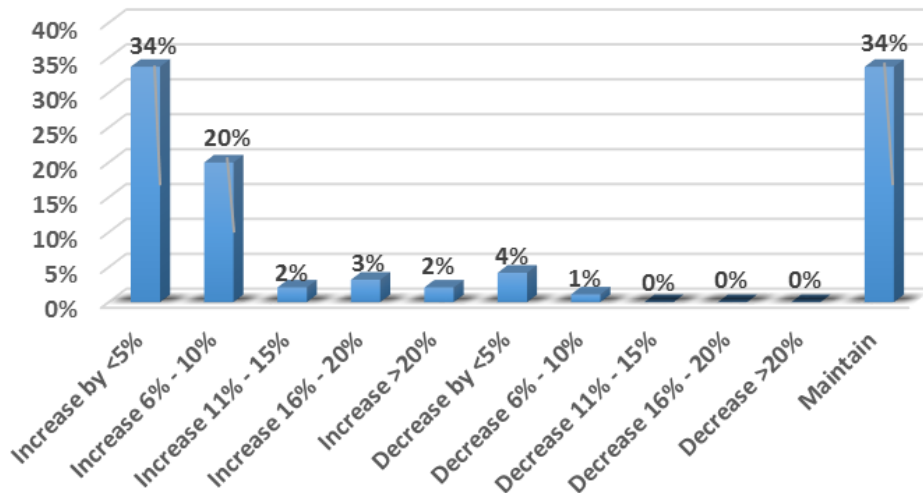
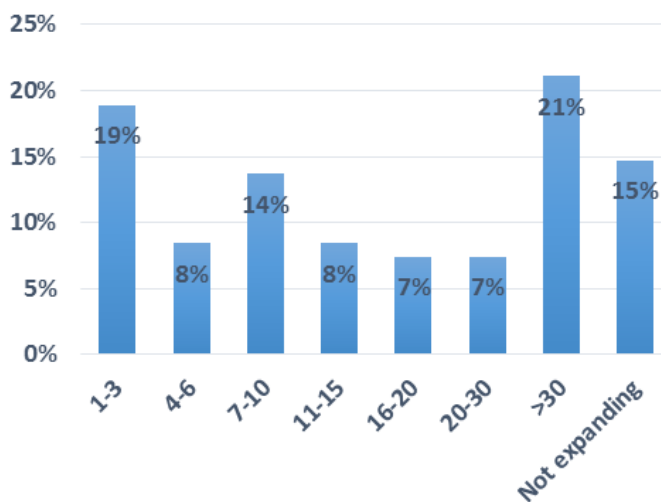


FIGURE 3: JOB CREATION PROJECTION – OVER 5 YEARS



Labour markets have changed significantly and as a result there is a shortage of skills at all levels and across all areas. To take one example; there is a major lack of drivers and secure hauliers right now and out in to the midterm. In the context of supply chain effectiveness, members have reported that the average drivers' age is 55 and as an island nation this is particularly critical - more so than for our European colleagues.

The availability of skills at all levels, in particular for supply chain knowledge functions such as planning, network design, analytics and procurement, is a concern at the moment and a number of members have indicated that Ireland is losing out to other competing countries on attracting some of these functions through a lack of availability of key talent. There is a belief that there is an opportunity for Ireland to play a significant role as a supply chain 'Knowledge Cluster' but we will need a co-ordinated approach between Industry, Government and Education to do so. An initiative such as this could also represent a significant opportunity to up-skill existing employees in the manufacturing, logistics and warehousing functions within the supply chain.

There does not appear to be a good understanding of the supply chain opportunity that is embedded within the multinational and domestic sectors of our economy. Many of our Government agencies are organized by industry vertical and as a result we as a country may be missing out on understanding of what happens within functional areas of these businesses.

Question 7: How can better partnerships be forged between Education and Enterprise?

The consultation paper states that the “Apprenticeship Council continues to develop a wide range of new apprenticeships to meet skills needs within the economy in consultation with employers.” The IEA feel that progress in this area is too slow, a much wider range of modern “subjects” need to be covered, looking to Germany in particular as a good example. A revamp of the apprenticeship process would not only create a better match between people’s skills and the requirements of available jobs but would also improve the progression of young people to employment.

In relation to “Reform, Productivity and Efficiency”, the consultation paper states that, “while the severely constrained funding environment has raised concerns around ongoing financial sustainability, it has nonetheless spurred concerted action by providers to maintain operations within the budgets available.” The IEA feel that there is a need to use the resources much better, not enough is being done to cut / constrain costs. There are large amounts of capital assets sitting idle for months on end during summer months (college buildings, etc.), these should be used for in-work education during this period.

The consultation paper also says that “countries with better student/academic staff ratios in HE tend to be amongst the more competitive internationally.” The IEA would agree with this statement but do we need to look at salaries and working hours of third level teaching staff in comparison to other European countries to assess if Ireland is maximising its potential, with for instance long summer holidays in the academic year.