

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



Skillnets Submission

April 2017

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Introduction

Established in 1999, Skillnets works with businesses in Ireland and their employees to address their current and future skills needs by providing high quality, subsidised training through 63 training networks in a range of regions and sectors. Actively supported and guided by national employer and employee bodies such as IBEC, SFA, CIF, Chambers Ireland and the Irish Congress of Trade Unions, Skillnets will receive €18.2m from the National Training Fund (NTF) through the Department of Education and Skills (DES) in 2017. Participating Network member companies provide up to 50% in match funding to the Network grants approved by Skillnets. Clear focus is given at all times to value for money, efficiency and effectiveness in the delivery of training and up-skilling. Skillnets is under the auspices of the Further Education & Training section in DES.

Skillnets works with a broad range of employer/ industry representative bodies that both operate and promote Skillnet Networks for their sector or region. This engagement includes a number of Ibec sectoral groups (life sciences, pharmachem, international financial services, retail, food and ICT), Chambers of Commerce and ISME. It also extends to various regional bodies and a diverse range of industry representative groups in sectors including renewable energies, aviation finance, manufacturing, animation, aerospace, independent radio, legal and accountancy. Skillnets also works with several organisations supporting the food and agribusiness sectors including farming. Our organisation model, with its deep roots in enterprise, has enabled Skillnets to make a substantial contribution to the national skills agenda, and to the competitiveness of Irish enterprise.

As an agency funded from the National Training Fund this consultation is of great significance to Skillnets. In the following sections, we address the questions posed in the consultation paper.

1.0 Consultation Question No 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, or, 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?”

1.1 Skillnets Response

Skillnets does not have a view on what is essentially a matter of policy on how the funding challenges for HE identified in the Expert Group report might best be addressed.

2.0 Consultation Question No 2

“What are the implications for the National Training Fund Act in a changed landscape of employer-education engagement?”

2.1 Rebalancing NTF Expenditure towards “In Employment”

Section 7 of the National Training Fund Act 2000 states¹ that the purposes of the fund are:

- (a) To raise the skills of those in employment.
- (b) To provide training to those who wish to acquire skills for the purposes of taking up employment.
- (c) To provide information in relation to existing, or likely future, requirements for skills in the economy.

The NTF is used for interventions to support both those in employment and those seeking employment. The following table shows the income and expenditure of the NTF split between in employment and for employment since 2011 with 2007 shown as a comparator period in relation to the rate of unemployment.

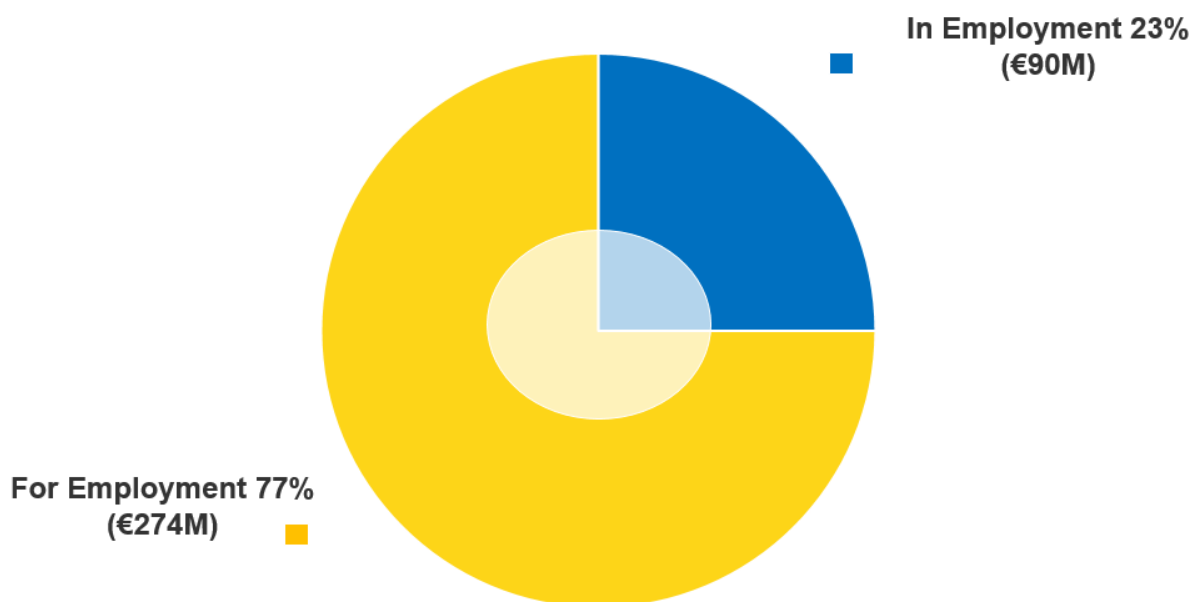
Table 1:

National Training Fund	2007	2011	2012	2013	2014	2015	2016	2017 estimate
National Training Fund Levy		316,000	299,000	317,000	338,000	364,000	382,919	405,130
Expenditure		-	-	-	-	-	-	-
Training Programmes for those in Employment	197,386	75,261	72,313	59,423	61,274	64,986	82,486	106,530
of which Skillnets	23,827	11,600	11,471	11,020	11,924	12,636	12,636	16,380
-		-	-	-	-	-	-	-
Training Programmes for Employment	194,937	236,812	267,438	288,468	284,809	268,289	278,648	254,560
of which Skillnets		2,900	3,029	3,480	3,766	3,564	3,564	1,820
Total Expenditure	392,323	312,073	339,751	347,891	346,083	333,275	361,134	361,090
of which Skillnets	23,827	14,500	14,500	14,500	15,690	16,200	16,200	18,200
Training for those in Employment	50%	24%	21%	17%	18%	19%	23%	30%
Training for Unemployed	50%	76%	79%	83%	82%	81%	77%	70%
Unemployment Rate	4.7%	14.6%	14.7%	13.1%	11.2%	8.9%	6.9%	6.6%
Source CSO Seasonally adjusted standardised unemployment figures. 2017 figure taken at February 2017								

¹ <http://www.irishstatutebook.ie/eli/2000/act/41/section/7/enacted/en/html>

The table shows the very significant adjustment made to support those seeking employment as the unemployment rate peaked in 2011-12. The 2016 distribution of the expenditure of the NTF (Figure 2) has a considerably different profile than 2007, despite similar unemployment rates in both years. This suggests that there is substantial scope for a greater re-balancing of the expenditure profile towards those in employment.

Figure 2: Approximate NTF Expenditure Configuration (2016)



Whilst the current consultation on the NTF is largely in the context of an increased employer contribution being required to meet some of the funding needs of the Higher and Further Education sectors, a re-balancing of the expenditure of the current fund in favour of those in employment would provide employers with a facility to equip employees with ‘more skills’ but also crucially with the ‘right type of skills’. As the NTF consultation document states “the competitive strength we draw from our workforce is not fixed or immutable²”.

Notwithstanding the risks to the Irish economy from Brexit, an increased level of investment in our skills and talent strategies at enterprise level is necessary to support enterprises in remaining competitive. This will assist companies in sustaining existing employment and create new employment opportunities. Up-skilling those in employment and creating a vigorous talent base enhances competitiveness and the strategies that build on our successful track record in attracting foreign direct investment. A key challenge confronting Ireland now, as we compete with other jurisdictions, is to increase participation by enterprises in workforce development.

² Consultation Paper on the Proposed Exchequer-Employer investment mechanism for Higher Education and Further Education & Training P. 5

A recent report by the OECD highlights the fact that all education and training systems have built-in financial incentives and it is likely “that countries will increasingly rely on financial incentives for steering education and training systems as the importance of cost-sharing and market mechanisms for allocating resources grows”.³

In the current landscape of employer-education engagement, the report outlines the benefits of levy schemes such as the National Training Fund which ensure a stable and constant flow of finance, making investment in training less sensitive to the business cycle. Nevertheless, the OECD also outlines the associated challenges. Financial incentives can only be “as good as the information about skills needs that underpins them”⁴.

The OECD has highlighted Skillnets enterprise-led model of skills development⁵. Skillnets model involves employers in decisions on training priorities and creates buy-in by addressing the needs of employers based in specific sectors and geographical areas. This decentralised approach generates “highly specialised knowledge about employment- and training-related issues which, in turn, can result in higher quality education being undertaken and a better alignment between labour market needs and the supply of skills”.⁶ Skillnets not only targets SMEs but also provides a network management structure to support small and medium-sized companies to identify their learning needs and co-ordinate funding applications on their behalf. The characteristics of the Skillnets model described above by the OECD also underpin an effective training levy model, based on analysis undertaken by the OECD in the same report.⁷

As other countries increasingly use financial incentives to stimulate enterprise-led workforce development, there is a pressing need to re-focus the NFT towards in-employment learning. Ireland now needs to invest ambitiously in workforce development as part of an overall infrastructural focus to consolidate the gains made in the recovery and to prepare the Irish workforce for the several political, technological and competitive risks that are beginning to materialise.

³ Financial Incentives for Steering Education and Training, Getting Skills Right, OECD, 2017, p.7.

⁴ Ibid, p.8.

⁵ Ibid, pp. 90-91.

⁶ Ibid, p.90.

⁷ Ibid, p.90.

3.0 Consultation Question No 3

“In what ways can increased National Training Fund levy contributions be linked to (i) identifiable skills needs, (ii) the workforce development agenda and (iii) the local, regional and national roles of institutions?”

3.1 Identifiable Skills Needs

3.1.1 National Skills Strategy

Skillnets plays a central role in meeting the skills development challenges facing employers in Ireland. This is achieved by linking national workforce development policy with a comprehensive networked structure optimised to meet the changing needs of enterprise.

At a policy level, Skillnets is principally aligned to the National Skills Strategy 2025. The strategy places a significant emphasis on the need for up-skilling of those who are already in employment, and a requirement for employers to participate in the skills development agenda through active collaboration with education and training providers. Given our proximity to employers and to enterprise in general, Skillnets is well placed to make a significant contribution to the delivery of the National Skills Strategy over the coming years.

3.1.2 Management Development

Enhancing SME management capacity is a policy priority and a major focus of Skillnets. Whether it is strategy, sales, process improvement or scaling a business, Skillnets works to ensure there is provision of effective (and subsidised) management development that is straightforward for SME owner-managers to access. As noted in the Enterprise 2025 strategy: “Strong leadership is critical to drive the growth, innovation and adaptability required of the successful enterprise over the coming decade. Strong leaders are essential to drive our scaling agenda.”⁸

3.1.2 Brexit

Brexit poses major challenges for an open economy like Ireland with such strong trading ties to the UK. It is essential, that during the Brexit transition the key driver of the economic recovery, private sector investment, receives maximum protection and support from the Government to maintain and enhance our competitiveness and to sustain the current growth agenda.

In our view the impact of Brexit can be significantly moderated by training interventions that enhance productivity, that build the capacity to enter new markets and that boost management competence overall. Upskilling is certainly required to manage the upheaval pre and post the UK withdrawal,

⁸ Enterprise 2025, Department of Jobs, Enterprise & Innovation 2015, p.23.

however seizing on the opportunities that will be presented to the IFS, Legal and FinTech sectors in particular can also be maximised by the appropriate training interventions. Already several Skillnets Networks are delivering bespoke programmes designed to assist member companies in understanding and planning for the impact of Brexit on their businesses.

3.2 The Workforce Development Agenda

3.2.1 The Changing World of Work

Due mainly to the effects of globalisation and technology, many traditional intermediate-level jobs are now in decline, which has obvious implications for employability and career mobility. This phenomenon coincides with changes in the standard employment model, with increasing levels of part-time, contract and contingent working⁹. There also has been a marked shift from job security and lifelong employment to lifelong learning, employability, and career management¹⁰.

It is vital that the calibre of training undertaken within enterprise keeps pace with these developments and learners are engaged in new ways. Workers need to take greater ownership of their learning, gaining autonomy and flexibility in identifying career development pathways¹¹. Enabled by technology, workforce development itself is becoming increasingly asynchronous, individualised, self-paced, granular and deeply embedded within the workflow.

As the external risks mount, more and more enterprises must be supported to develop and implement effective re-training, up-skilling, talent management, and career progression strategies, all of which are core to Skillnets activities.

3.2.2 Encouraging Lifelong Learning

The need to increase in-employment engagement in lifelong learning is now a key policy objective. The private sector will undoubtedly play a major role in reaching the Government's lifelong learning target of 15% (by 2025) by encouraging take-up of lifelong learning opportunities and by helping employees to recognise the need for, and value of, training¹². The higher education and FET sector will also play a key role, through initiatives such as the systematic adoption of Recognition of Prior Learning (RPL)¹³, through flexible provision and through yet deeper collaborations with industry and enterprise-led agencies such as Skillnets.

Skillnets is already making a discernible impact in attracting people who may have traditionally shied away from lifelong learning, or were given less opportunity, including lower-skilled workers. It is also worth considering how Skillnets training networks continue to make progress in developing a culture of lifelong learning, in particular within SMEs. When asked about the impact of training network membership as part of a recent Independent External Evaluation of Skillnets programmes: 83% of employers agreed it encouraged future investment in staff development and training; 75% of

⁹ ILO, (2015, p.13), "The changing nature of Jobs" [Online].

¹⁰ Mehdiabadi et al., (2016, p.27) "Understanding Talent Development and Implications for HRD.

¹¹ Deloitte, Global Human Capital Trends 2016, p. 60 [Online].

¹² Lifelong Learning Participation among Adults in Ireland, EGFSN, 2016, p.1.

¹³ National Skills Strategy 2025, 2016, p.97.

employers agreed that it increased their awareness of the importance of training; two-thirds of those surveyed stated that membership of Skillnets increased the number of staff trained in their organisation, allowing some staff to be trained for the first time ever and; approximately 40% of companies confirmed they had engaged in planned training for the first time as a direct result of Skillnets network membership.¹⁴

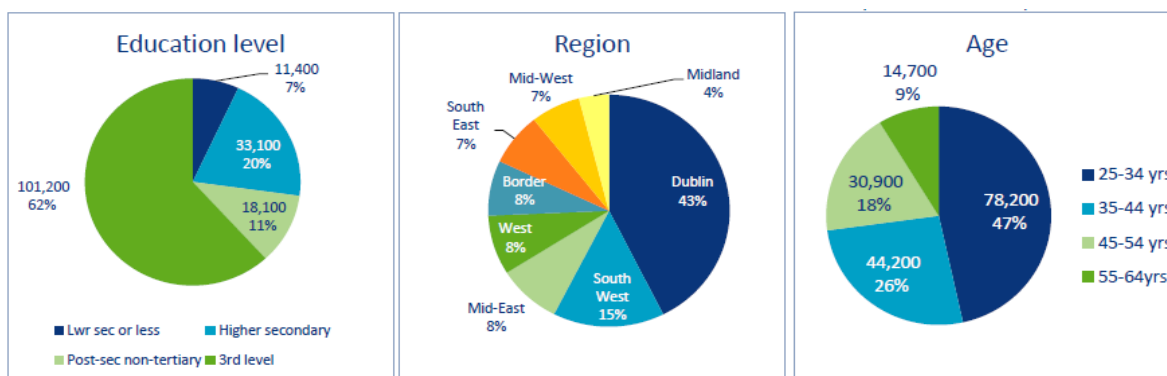
This demonstrates that a culture of investment in planned learning and workforce development can be engrained in companies that elect to participate in Skillnets training networks. The obvious knock-on effect is to increase the number of lifelong learners trained, including those who have never previously been up-skilled or re-skilled by their employers.

3.2.3 Lower Skilled Workers

Lower-skilled workers remain “the most vulnerable to ongoing changes within the workplace” and they are also “less likely to be offered, to seek, or to avail of training.”¹⁵ Skillnets plays an important role in supporting lower-skilled workers in Ireland and enhancing their skill levels. For example, 60% of workers up-skilled through the Skillnets Training Networks in 2015 had not attained a third level degree. This equates to approximately 24,000 people per annum. Also, 8% of employees trained by Skillnets Networks in 2015, i.e. one in every twelve employed trainee with Skillnets, had attained a qualification no higher than the Junior Certificate (Level 3 on the National Framework of Qualifications)¹⁶.

As noted in Figure 1 below, 62% of lifelong learning participants in Ireland have a third-level qualification. When set against the 60% of workers with no tertiary education who participated in 5,337 Skillnets training courses for the employed in 2015 (mentioned above), the evidence suggests that Skillnets is making a discernible impact in attracting people with lower levels of educational attainment into lifelong learning activities.

Figure 1: Number of lifelong learning participants In Ireland by education, region, and age



Source:

Lifelong Learning Participation among Adults in Ireland, EGFSN, 2016

¹⁴ Independent External Evaluation of Skillnets TNP, Finuas and ManagementWorks in 2015, Indecon, 2016, p.118.

¹⁵ Irelands National Skills Strategy 2025

¹⁶ Evaluation of Skillnets Training Networks Programme, Finuas and ManagementWorks in 2015, Indecon, 2016, p.20.

3.2.4 Relevant and Flexible Provision

An objective of the National Skills Strategy is to ensure that education and training providers place a stronger focus on providing skills development opportunities that are relevant to the needs of learners, society, enterprise and the economy. Responding to the needs of employers and adult learners, a significant proportion of training facilitated by Skillnets networks is delivered part-time or on a modular basis, offered all year round, scheduled outside of normal working hours, or indeed embedded in the workflow itself. The Skillnets model fits comfortably within this context, with its focus on collaborative approaches, ‘networked’ delivery, and informal as well as formal learning.

Every year Skillnets networks collaborate with HE institutions to design new accredited programmes. This facilitates the critical engagement between enterprise and HE in the programme design process, and direct industry investment in the development of new programmes.

3.2.5 Workforce Development: Specific Challenges for SMEs

85% of all firms that participated in Skillnets Networks in 2015 had 50 or less employees¹⁷ and we understand the training challenges faced by SMEs. Scale is an issue because smaller organisations typically don’t have human resource functions to identify skills needs and deliver appropriate responses¹⁸. SMEs also find it harder to release people for training due to operational demands. Skillnets network managers have been successful in working with SMEs to overcome these co-ordination challenges. The provision of subsidised, relevant and flexible training through our networks supports SMEs in addressing their skills requirements.

Often SME owner-managers may not recognise the need for an objective skills gap analysis for their employees or indeed themselves¹⁹. This points to the importance of supporting SME owner-managers to identify and address not only their business needs but their workforce development needs. Training support to SME owner-managers also creates a powerful multiplier effect because leaders who undergo development are more likely to invest in the development of their own staff.

3.3 Local, Regional and National Roles of Institutions

3.3.1 Enterprise Clusters and Regional Development

Ireland’s international standing in relation to national cluster development exceeds the EU average with well-established regional clusters in bio-pharma, medical devices, ICT and financial services²⁰. Skillnets already supports learning networks within each of these clusters at a national and regional level. The National Competitiveness Council also notes that regions successful in facilitating industry clusters “have been found to achieve higher levels of productivity, innovation, employment and prosperity.”²¹

¹⁷ Skillnets Annual Report 2015

¹⁸ Submission to the National Skills Strategy, Small Firms Association, 2015 [Online].

¹⁹ Submission to the National Skills Strategy, Small Firms Association, 2015 [Online].

²⁰ Ireland’s Competitiveness Scorecard 2016, National Competitiveness Council, 2016, p.15.

²¹ Ibid, p.30.

Through the National Clustering Initiative, further advances in regional clustering to enhance co-operation between industry, research institutions, education providers and other stakeholders offer opportunities to leverage the Skillnets model to match skills provision with identified enterprise needs. New clustering initiatives can be greatly strengthened by their connection with Skillnets' cohesive learning networks.

Skillnets also plays an important role in regional skills development through our 20 regionally-based, mixed-sector Skillnet learning networks. The Regional Skills Fora established by DES in 2015 also facilitates dialogue between employers and education and training providers at local level, in order to match provision with identified enterprise needs. Since their inception, Skillnets has been an active stakeholder in the development of the Regional Skills Fora.

Skillnets is active in all 8 NUTS regions in Ireland. Our engagement with enterprises in the regions is founded on both our regional presence and on our national sectoral networks who engage actively with enterprise throughout the regions.

3.3.2 Skillnets Inter-Agency Collaboration

Skillnets has engaged in a wide range of collaborative activity with national stakeholders, resulting in an improved provision of support for enterprise and the workforce.

For example, through membership of the Expert Group on Future Skills Needs (EGFSN), Skillnets has contributed to the provision of information in relation to future skills requirements, a core pillar of the National Training Fund Act. Skillnets has also contributed to the wide range of EGFSN sectoral skills studies, and has acted promptly to respond to recommendations made by the EGFSN. For example, on 3 March 2017, Skillnets formally launched four new networks to address emerging skills needs in the MedTech, Design, Hospitality, and Freight and Logistics sectors, all of which were the subject of recent EGFSN reports.

Since 2010 Skillnets has offered training supports to jobseekers, and Skillnets and the Department of Social Protection (DSP) have operated a *Protocol for Co-operation* since 2013. The protocol has established strong links between Skillnets and the DSP at national and local level and it has been cited by the OECD as an example of effective inter-agency collaboration to raise awareness and uptake of training by those on the live register.²² The protocol provides an important foundation for the re-skilling and up-skilling opportunities that Skillnets continues to provide to the unemployed.

Skillnets has actively engaged with IDA Ireland and the DSP in recent years on projects that provide the unemployed with the skills to take up employment in IDA client companies. The success of these projects is underscored by the high rates of subsequent progression to employment.

²² Local Job Creation: How Employment & Training Agencies Can Help. P. 58-59. OECD Programme on Local Economic and Employment Development (LEED). September 2013.

4.0 Consultation Question No 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?”

4.1 Supporting Further Forms of Employer-Education Engagement.

The Skillnets model is scalable. The following outlines the modalities available to Skillnets to effectively deploy a redistribution of funding from the NTF towards those in employment, and in doing so supporting further forms of employer-education engagement, flexible forms of education and of training delivery.

4.1.1 Skillnets: An Efficient NTF and Enterprise Co-Investment Model

It is the responsibility of NTF-funded programmes to demonstrate value for money through the effective and efficient utilisation of the fund. Skillnets operates a co-investment model, whereby grants disbursed by Skillnets stimulate a co-investment by employers (primarily SMEs) in staff development.

All programmes funded by Skillnets are subject to annual independent evaluation. The most recent evaluation conducted by Indecon found that every €1 million of State funding provided via Skillnets attracted €1.05 million in enterprise investment from network member companies²³. This co-investment model creates a significant degree of funding leverage, underpinning the efficient utilisation of the NTF. The model also creates a high degree of SME commitment to and responsibility for staff development, again underpinning the effective utilisation of the fund. Based on the evidence provided by successive independent evaluations, the Skillnets co-investment model provides significant value for money in terms of the utilisation of the NTF, and is an efficient vehicle for State investment in workforce development overall.

²³ Evaluation of Skillnets Training networks Programme, Finuas and ManagementWorks in 2015. Indecon international Economic consultants. 22nd Sept 2016

4.1.2 Skillnets: A Track Record in Enterprise-led Programme Delivery

Skillnets has deep roots with enterprise in Ireland. 14,260 private firms participated in Skillnets training Networks in 2016 and Skillnets counts the leading employer/ industry representative bodies in Ireland as the promoting organisations for our Networks.

In addition, Skillnets has a track record in speedily reacting to policy priorities by introducing sustainable enterprise-led programmes on the ground. This includes a capacity to design distinct programmes each targeted to meet specific policy objectives. Examples of this agility include:

- **The Finuas Programme:** Established following recommendations from the Clearing House Group and the Expert Group on Future Skills Needs in 2009, the strategic objective of the Finuas programme is to sustain Ireland's position as a major international finance services (IFS) sector through the investment of specialist skills and expertise of its workforce. Each year over 200 IFS companies participate in the Finuas programme. Since the programme commenced, 9,500 IFS workers have completed training through Finuas and €7.2 million has been collected in match funding income from IFS employers.
- **Jobseekers Support Programme:** Since 2010 Skillnets has supported the needs of over 40,000 jobseekers by focusing on integrated training with enterprise, dedicated conversion courses, and through work placement in areas of high employment potential. The Jobseekers Support Programme is a unique Skillnets innovation that has recorded strong outcomes with 52% of participants going on to secure employment²⁴. The Jobseekers Support Programme has also been cited internationally as a best practice example for an employment activation initiative²⁵.
- **ManagementWorks Programme:** Responding to recommendations made by the Management Development Council, Skillnets established the ManagementWorks programme to assist Irish SME owner- managers to improve their management and business planning competence. Since 2013, 2300 SME owner-managers have completed the ManagementWorks programme and Skillnets has collected over €2.6 million in match funding income from participating SMEs.

4.1.3 Skillnets: Building Additional Capacity

Skillnets Statement of Strategy 2016–2019 outlines our ambition to be a model for training excellence in an enterprise context, and our goal to make training relevance, effectiveness and impact core to Skillnets activities. We are committed to maximising the effectiveness of our networks and driving congruence between the network offering and the strategic challenges facing their sector (or region). It is our view that this commitment to network effectiveness will underpin the attractiveness of our proposition and the potential to significantly increase the number of employers engaging in skills development through our existing training networks.

²⁴ Independent External Evaluation of Skillnets TNP, Finuas and ManagementWorks in 2015, Indecon, 2016

²⁵ Local Job Creation: How Employment & Training Agencies Can Help, OECD Programme on Local Economic & Employment Development (LEED). Sept. 2013, pp.58-59.

For this reason, Skillnets is placing an increased focus on learning interventions proposed by our networks that are:

- Customised for the specific needs of the network's sector/region.
- Innovative in their approach to design.
- Blended and integrated with work.
- Configured to tap the potential learning technologies offer in a workplace context.
- Optimised for maximum transfer of learning.
- Flexible and straight-forward for learners to access.
- Reflective of the modern workplace and how adults learn.

Skillnets is also placing an increased emphasis on the delivery of skills that are aligned with national policy and that meet defined skills shortages vital for growth and competitiveness.

Skillnets has the capacity to expand the number of funded networks in response to identified demand and we have given a commitment to DES to establish 5 new networks in 2017. Progress against this commitment will be monitored as part of the *Action Plan for Education 2017*.²⁶

4.1.4 Bespoke Call Design

The Skillnets model is flexible in relation to the manner in which funding may be directed. Skillnets issues two *Calls for Proposals* per annum which are designed to attract applications from new training networks from industry sectors or from regions. In addition, for established networks there is an annual competitive Call process which allocates the substantial proportion of the available funding for the following year.

The Skillnets model allows for the design of Bespoke Calls for funding to address specific sectoral or regional requirements. Bespoke Calls could for example respond to priority sectors in the economy where skills deficits have been identified. Also Bespoke Calls can be used to address key policy challenges such as assisting lower-skilled workers or underemployed workers, supporting the management development needs of SME owner/ managers, or addressing skills issues arising from Brexit.

4.1.5 Skillnets Communication and Promotion Strategy

In our Statement of Strategy we committed to generating more focused engagement with employers around our distinct value proposition. We also committed to restructuring our communications and marketing activities in order to achieve the core aim of driving increased employer participation in Skillnets.

Increasing participation in management development is a particular challenge. It is established that Irish owner managers underinvest in the development of their management capability compared to

²⁶ Action Plan for Education 2017, Department of Education and Skills, 2016, p.54.

their international peers²⁷ . A key element of the Skillnets communication strategy is the promotion of the requirement and benefit of engaging in management development to the owner managers of Irish business, traditionally a challenging audience for marketers to reach.

Skillnets has initiated a significant project to overhaul our communication activities in order to achieve the above aims.

²⁷ Management Development in Ireland, Management Development Council 2010

4.2 Funding Considerations for Skillnets

As discussed, Skillnets is a scalable model and demonstrably an efficient NTF/ enterprise co-investment mechanism, representing good value for public monies. The consultation document states that “Stability and predictability for the funding of the FET sector on a multi-annual basis is crucial to the systematic planning for the significant expansion in the availability of key workforce skills through structured training programmes and apprenticeships²⁸.” The following are funding considerations arising for Skillnets from this consultation.

4.2.1 Changes to Match Funding Requirements

Funding for the Skillnets Training Networks Programme is currently fixed at a maximum rate of 50%. This requires members firms to provide the remaining 50% of funding through payments for attendances on programmes.

The challenges facing enterprise now are varied and complex. Consequently, the interventions required to address the skills needs also vary in complexity. Increasing complexity in skills needs has implications for the scale and substance of the response. The development of more substantive interventions and the engagement with wider enterprise to persuade them of the benefits of workforce development investment poses challenges for the current 50% match funding model available through Skillnets.

For example, the Skillnets Statement of Strategy 2016-19 places a heavy emphasis on the need to address the management development deficit in Irish SMEs²⁹. The challenges of encouraging SMEs, and micro enterprises in particular, to engage in management development are well understood internationally and require a considerable and on-going promotional and engagement effort. This has implications for the Skillnets funding model as this engagement is considerably more resource intensive and long term, as opposed to meeting short term and operational training needs. An increased level of funding is required to stimulate participation in what tend to be more expensive programmes in absolute terms.

Addressing some of the skills challenges identified in the National Skills Strategy will also require a more targeted level of funding to encourage the level of engagement required. For example, addressing the challenges faced by lower skilled workers requires a higher level of funding to both attract participation but also to fund the more intensive levels of support such interventions require.

Finally, funding levels in excess of 50% are currently available from other national agencies for the training offerings to enterprise. It should be noted also that funding levels of greater than 50% were available through the Skillnets model previously.

²⁸ Consultation Paper on the Proposed Exchequer-Employer investment mechanism for Higher Education and Further Education & Training P. 18

²⁹ Skillnets Statement of Strategy 2016-2019: Strategic Review, 2016, p.49.

4.2.2 Rolling 5 Year Funding Model for Skillnets

Skillnets Statement of Strategy contains ambitious action designed to enable Skillnets make the optimum contribution to the skills needs of Irish enterprise. Long term planning and predictability is needed for an effective implementation of the Statement of Strategy. However Skillnets is funded on a year-to-year basis.

Greater certainty is now required in the funding model for Skillnets to underpin the long term planning process. A 5 year funding model will provide that certainty.

In addition, funding certainty would allow Networks (and future Networks) to plan for an extension of their reach both in terms of participating member firms and the complexity of needs which their offering might address.

Changes in workplace learning approaches necessitate a greater focus on activities that embed a learning and development infrastructure within SMEs. By their nature, such activities take a time to implement effectively, and yet these activities are crucial to the implementation of the National Skills Strategy, which prioritises employer participation in the effective utilisation of skills.³⁰

4.2.3 Expenditure Configuration of the National Training Fund

Assuming there is a rebalancing of NTF expenditure towards 'In Employment', we suggest that NTF expenditure is allocated equally between funding to "For Employment" training and funding to "In Employment" training.

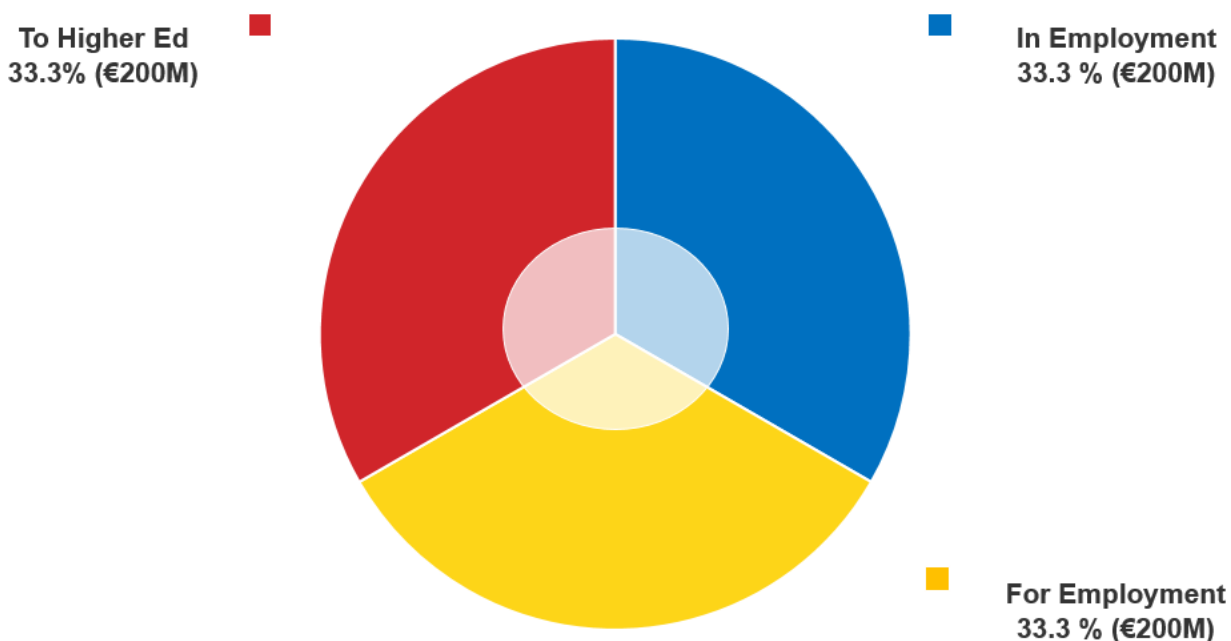
Configuring the NTF as such is aligned with current employment trends and allocates funding evenly between 'For Employment' and 'In Employment' expenditure in a way that is similar to the NTF expenditure profile in 2008.

According to the consultation document the estimated yield from the proposed employers levy increase is €200M per annum (by 2020). It is proposed in the consultation document that this additional amount is channeled to Higher Education. Splitting remaining NTF funding evenly between "For Employment" and "In Employment" would equate to approximately to €200 million pa being available to each funding strand by 2020³¹ (Figure 3) .

³⁰ National Skills Strategy 2025, Key Objective 2, p.11.

³¹ Considers the projected increase in the costs of the expanded National Apprenticeship Scheme referenced in the consultation paper (ie that the current cost may double).

Figure 3: NTF: Sample NTF Expenditure Profile in the Year 2020



4.2.4 Broadening Employment Activation Supports

As mentioned, Skillnets has offered training supports to Job Seekers since 2010. By focusing on the emerging needs of industry and identified skills gaps, Skillnets has sought to implement relevant training programmes to enable job activation, conversion programmes and employment progression³².

As part of their evaluation of Skillnets programmes for 2015, Indecon Consultants drew attention to the changing nature of the challenge of the employment activation agenda as the level of unemployment continues to fall. Indecon suggest that the activities of training those in employment and those seeking employment “do not necessarily have to be mutually exclusive, though the organisation will need to continue to respond effectively and flexibly to the evolving external labour market context”³³. It is notable also that the ‘Springboard +’ initiative has offered extended eligibility criteria to now include those in employment in certain sectors.

In this context, Skillnets could adjust current eligibility criteria which apply to supports directed towards “For employment”. Specifically, additional supports could be provided to those categorised as under-employed, those in casual employments or workers in vulnerable categories of employment as defined by national policy. Specific cohorts who are under-represented in the workforce, or who

³² Indecon Evaluation of Skillnets 2015

³³ Ibid p. 98

could be encouraged to re-join the workforce, can also be the subject of wider eligibility criteria. These might include primary care givers in the home, older workers and workers who are retired or semi-retired.

Facilitating Skillnets in extending its eligibility criteria in this way would allow for a broadening of support to those seeking to become more established in their careers. It would also facilitate greater support to a wider cohort of workers (and potential workers) that will be required to meet the growing skills demands of the economy.

4.2.5 Skillnets Funding Profile

Based on the analysis in this section we suggest adjustments in the Skillnets funding profile from 2017 to 2020 as per the table below. This profile suggests that Skillnets would receive approximately 16% of “In Employment” funding by 2020. Such funding adjustments would be subject to agreed performance criteria set with DES in the normal way. It should be noted also that NTF funding to Skillnets in 2008 was €25 Million pa.

Table 2: Suggested Skillnets funding profile from 2017 – 2021

Year	Funding €	Funding Increase %	Trainees
2017	18.2 Million		45,000
2018	22.2 Million	+ 21%	55,000
2019	27.2 Million	+ 22%	67,000
2020	33.2 Million	+ 22%	81,000

5.0 Consultation Question No 5

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

5.1 Skillnets Statement of Strategy: Consultation Feedback

Skillnets renewal of its Statement of Strategy for the period 2016-2019 involved an extensive consultation with enterprise representative groups, employee representative groups, Governmental agencies and the general public. The strategy was launched in October 2016. Some high-level themes emerged from the consultations that are relevant to this question and can be briefly summarised as follows³⁴:

- A general shift from “survive” to “prosper”:
Strong exports, a recovery in consumer spending and a general increase in (private) investment confidence has seen participating Skillnets member companies (on the whole) move from the survive phase to the prosper phase, with many already growing and others actively considering growth opportunities. However it was clearly noted that investment in the State’s infrastructure (specifically in relation to the workforce development and up-skilling) needs to be significantly ramped up.
- Talent sourcing, recruiting and retention:
As labour market conditions continue to improve, for many employers (particularly those in the ICT, Food & Drink and Life Sciences sectors) attracting and retaining skilled employees has become an issue. Scope to provide ongoing training support to staff is seen by these sectors as important. Training requirements for specific skill demands in these sectors are elaborated on in further sections.
- STEM Participation:
Skillnets has a significant presence in the key industry sectors that are linked to STEM disciplines, including ICT, Pharmachem, Life Sciences and Financial Services. A message coming through from member companies of these networks is the need to produce significantly higher numbers of graduates from STEM disciplines, and to inculcate greater STEM competence within the workforce itself over the next five years.
- Transversal Skills:
All stakeholders have highlighted the importance of developing transversal skills in the workforce (such as management skills, critical thinking, collaboration, commercial awareness and communication skills). These are seen as vital for career progression and to underpin the capacity of organisations to adapt to an ever-changing environment.
- Employment activation initiatives:
Feedback strongly indicates a shift of emphasis needs to be considered from employment activation initiatives appropriate for a time of crisis, to activation initiatives appropriate for a time of growth.

³⁴ Skillnets Statement of Strategy 2016-2019: Strategic Review, 2016, p.15.

6.0 Consultation Question No 6

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

The increase in economic activity and restored investment confidence has already translated into an increase in training demand reported from the majority of Skillnets networks. The following is a sample of the demand for specific and emerging skills that we are currently experiencing.

6.1 ‘Fintech’ Skills Gap Identified in IFS 2020 Strategy

The IFS 2020 strategy aims to create an additional 10,000 net new jobs in the sector by 2020³⁵. An area that has the capacity to greatly increase employment in coming years within IFS is **FinTech**. IFS 2020 states there is a thriving number of Irish-owned IFS start-ups with over 200 companies operating across a wide range of subsectors including Payments, Insurance, Funds & BPO (Business Process Outsourcing). IFS 2020 lists skills as a key factor for Ireland to establish itself as a leading global centre to set-up and scale innovative FinTech businesses. The next generation of financial services business models, products and services is being shaped by the increasing significance of data analytics, risk management and compliance, security, digitization, enterprise mobility, payments and enhanced customer experience.

Skillnet Finuas Networks report an increased demand for upskilling in these areas from core IFS companies, FinTech companies and financial start-ups. Demand for additional programmes includes business analysis with IT/systems skills, financial data analysis and data visualisation, quantitative modelling, big data, web analytics, information assurance, cybersecurity and data mining. Companies report that the availability of required FinTech skills will be a determining factor in the sectors growth. Investment in these programmes in 2017 is also required to address Actions 9 of the IFS 2020 Action Plan 2017 which is assigned to Skillnets.

6.2 Data Analytics, Cyber Security and UX Design: key skills gaps within ICT Sector

Globally the ICT sector is in the midst of a growth in disruptive innovation. The ICT sector employs over 107,000 in Ireland with an expected increase in jobs in the areas of data analytics, IT security and micro/ nano-electronics. The ICT Skills Action Plan 2014-2018 finds “this disruptive change presents challenges in terms of the supply of ICT talent”³⁶. There is increased demand from companies within Skillnets’ four ICT networks for specific skills training for existing employees across a range of areas, and continued demand for ICT conversion programmes.

A key action within the ICT Skills Action Plan 2014-2018 is the delivery of Skillnets ICT programmes to industry and deeper collaboration with industry to develop new programmes. Skillnets networks are

³⁵ IFS2020: A Strategy for Ireland’s International Financial Services Sector: 2015-2020, 2015, p.6.

³⁶ ICT Skills Action Plan 2014-2018, 2014, p4.

not only on target to deliver upon those, but have signalled increased demand for programmes in additional areas. An example is the demand for specialised programmes in IT Cyber Security for the upskilling of staff to take on key roles in countering the cyber security threat, and programmes to develop new 'work-ready' entrants to the sector. Programmes offered through Skillnets include an MSc in Applied Cyber Security.

The Skillnet networks within the ICT sector still see a demand for ICT conversion programmes for jobseekers. These programmes are targeted at jobseekers who already hold a level 8 or equivalent qualification and have the capacity and underlying aptitude to undergo an intensive full-time programme of study and work experience to acquire high level ICT programming skills. These programmes have consistently delivered excellent progression to employment results, with over 85% securing employment within the areas of cloud computing, software engineering and IT testing primarily in Dublin, Cork and Galway.

6.3 UX (User Experience) and Design Thinking: demand from Software Sector

Ireland's National Skills Strategy 2025 outlines how the shortage of software developers and software engineers represents a key skill gap within the ICT sector. The key strategic areas across the software sector where companies require future oriented skills are: design thinking, UX (user experience), data analytics and advanced agile coaching. The DJEI Enterprise 2025 report outlines how Ireland's software sector contributes increasingly toward exports and how new types of jobs or occupations will emerge including those in 'user experience design'³⁷. Design thinking is now one of the key tools for software innovation. It brings together software developers and creative designers, and is in demand from the software sector seeking to embed this approach to build new products for export.

Skillnets addresses these skills needs with indigenous software companies. This included the launch of the first Post-Graduate Diploma in UX User Experience in 2016, which is the first in a suite of similar programmes for the software sector. There is also strong demand to add programmes in *Design Thinking for Software Developers* to the portfolio.

6.4 Growth in Demand for Work-Based Learning in the Retail sector

The Irish retail sector employs close to 275,000 with 42,000 retail and wholesale business operations most of which are SMEs. Retail Ireland's 'Strategy for Retail 2014-2016' indicates that the sector can create up to 40,000 new jobs by 2026³⁸. The 2016 Action Plan for Jobs finds that "increased employment and the corresponding rise in consumer spending are also providing a more favourable operating environment for the retail sector³⁹". A sustained recovery in consumer spending presents increased skills requirements for the retail sector. The digital economy is also transforming the sector, with the need to strengthen the technical skills necessary for retail companies to meet the challenges and maximise the opportunities presented by online retailing.

³⁷ Enterprise 2025, Department of Jobs, Enterprise & Innovation p.50, p.143.

³⁸ Strategy for Retail 2014-2016 p.6

³⁹ Action Plan for Jobs 2016 p.15.

Increased demand in Networks supporting the retail sector is evident. Retail Ireland Skillnet primarily focusses on work-based learning programmes designed to provide increased productivity levels, staff retention, improved customer service, online capability and product knowledge. A suite of programmes were designed from QQI level 4-8 to provide a career progression pathway for the retail sector, culminating in a four year part-time Degree in Retail Management Practice. There is now growing demand for similar programmes which can be tailored to meet specific areas within retail, from grocery retailing to fashion and electrical goods.

6.5 Food, Drink & Hospitality

The FoodWise 2025 report sets out a 10-year vision for the Irish agri-food sector, involving both primary producers and agri-food businesses across the country and a target to almost double food and drink exports over the next ten years.⁴⁰ Human capital and skills gaps represent a key challenge in achieving the 2025 target. With 170,000 jobs, the agri-food sector is one of the most important in the economy and Foodwise 2025 aims to deliver a further 23,000 jobs over this timespan. Foodwise 2025 identifies a number of skills areas that need to be tackled. These included knifing and boning skills, food industry technical skills, seafood, sales for export and management/ leadership skills to encourage career progression within the sector.

The EGFSN produced a report on the Hospitality sector in autumn 2015. The report cited some key challenges facing the sector, most notably some critical skills shortages. For example, the report forecasts that 10,000 -13,000 additional chefs will be required from 2015 to 2020.⁴¹

Skillnets food and drink networks are experiencing demand for the skill areas noted above. These networks also provide over 20 Jobseeker courses annually addressing many of the skills needs cited in the Expert Group Report. These include the provision of:

- Cookery / chef skills
- Front of House / Reception skills
- Restaurant & Bar skills
- Barista skills

⁴⁰ Food Wise 2025 p. 10.

⁴¹ Assessment of Future Skills Requirements in the Hospitality Sector in Ireland, 2015-2020 p. 131.

6.6 Life Sciences

Exports of medical devices and diagnostic products now represent 8% of Ireland's total merchandise exports. A recent report on the BioPharma sector conducted by the Expert Group on Future Skills Needs reflected the international brand recognition and the reputation for manufacturing excellence the Irish BioPharma sector has achieved, and the significant opportunities for sustained employment growth the sector presents.⁴² Fulfilling the skills gaps in these sectors is crucial for continued success. Skills gaps range from technical skills, such as bioprocess engineering and quality/regulatory affairs, to softer skills (communication skills & teamwork) and strategic leadership. However the report also identifies the threat an insufficient skills supply presents to the sector.

Networks are reporting excess demand for a wide range of programmes in the life sciences. These include a suite of long-term courses recently developed under the Skillnets Future Skills Needs Programme (FSNP). These include: Specialist Diploma in Design for Medical Technologies (Level 9), a new 2 year Masters in Medical Technology Regulatory Affairs programme and the acclaimed Driving Operational Excellence through Lean Leadership (Level 9) programme. Short operational courses include process validation, lead auditor and internal auditor amongst others are in significant demand. The Pharmachem sector reports similarly high levels of demand.

6.7 Building Ireland's Capacity in Sustainability, Green Finance and Responsible Investments

The EGFSN study on skills needs of the Green Economy identifies key skills areas to drive business and employment growth, including efficient energy use and management, environmental consultancy services and green ICT applications and software. The IFS 2020 Action Plan calls for the further roll out of the newly established Sustainability Skillnet programmes, including delivery of a programme suite with a focus on sustainability leadership and communications, responsible investment and green finance.⁴³

In 2016 two new networks were established to address this enterprise demand: Sustainability Skillnet and Lean, Water and Energy Skillnet. Sustainability Skillnet is promoted by Sustainability Nation and has demonstrated an increasing demand for its programmes designed to develop skills in sustainability investment and financing, and to deliver measure 12 within the IFS 2020 Action Plan. Training includes leadership programmes tailored for companies developing resource efficiency products/services and internationally recognised LEED Green Associates (Leadership in Energy and Environmental Design) courses for green building expertise for non- technical professionals.

⁴² Future Skills Needs of the biopharma Industry in Ireland, 2016, p.43

⁴³ IFS 2020 Action Plan, 2015, p.29.

6.8 Skills Needs within Aviation and Aerospace

The Department of Transport's "National Policy for Aviation in Ireland 2015" outlines the need to develop a "skilled workforce of mechanics, engineers and other MRO personnel".⁴⁴ The MRO industry plays an important supporting role in the wider aviation sector in Ireland supporting airline and airport activity, aircraft leasing and finance activity and manufacturing.

The newly formed Aviation and Aerospace Skillnet addresses the skills needs within the maintenance repair and overhaul organisations (MROs) and air cargo services. This is achieved through training in technical aircraft management, aviation supply chain management and risk management. There are also assessment programmes for regional airports to meet current and evolving EASA requirements. This network is based in Shannon and operates nationally across the aviation sector, and has reported significant demand for programmes to address current skills gaps and future skills needs in line with national aviation policy. The network also works closely with the Aviation Finance Finuas Network to address the financial skill needs of aviation firms.

6.9 Skills Needs within Construction

The Government's *Construction 2020* strategy highlights the need for a 'competitive, innovative, dynamic, and sustainable construction sector'⁴⁵. The Strategy underscores the importance of a 'fit for purpose sector supported by a highly skilled workforce achieving high quality and standards.'⁴⁶

A recent analysis by DKM Economic Consultants in conjunction with Solas estimated that construction activity could generate a requirement for 112,000 jobs by 2020.⁴⁷ This is based on a projected requirement for 76,000 additional persons as well as replacement demand for 36,000 individuals required to do the jobs of those who leave the sector.⁴⁸ The report highlights the needs for skills development across a broad range of occupational groups within the sector, including managers, professionals, skilled craftspeople, other construction trades, operatives and labourers.⁴⁹

Skillnets supports construction directly through funding provided to sectoral networks such as Construction Information Technology Alliance (CITA) Skillnet. This Network enhances the capacity of construction companies to leverage technology in the effective and efficient design and implementation of construction projects. Skillnets also provides support indirectly, by funding networks of companies that purchase services from or provide professional services to the construction sector (e.g. Wind Skillnet, Law Society Skillnet, Sustainability Skillnet). While it can be challenging to encourage skills development within certain sections of the sector e.g. at microenterprise-level, it is likely that demand from the construction sector will increase significantly over the next 3 years.

⁴⁴ A National Aviation Policy for Ireland, Department of Transport, Tourism and Sport, 2015, p.75

⁴⁵ Construction 2020: A Strategy for a renewed construction Sector, Department of the Taoiseach, May 2014, p. 6.

⁴⁶ Ibid, p.7.

⁴⁷ Demand for Skills in Construction to 2020, DKM Economic Consultants, Oct. 2016, p. 51.

⁴⁸ Ibid, p.48.

⁴⁹ Ibid, p.47.

7.0 Consultation Questions No 7

“How can better partnerships be forged between Education and Enterprise?”

7.1 Skillnets: Forging Strong Education-Enterprise Partnerships.

A key objective of the *National Skills Strategy 2025* is to increase the supply of skills to the labour market, to strengthen the role played by employers and to increase the focus placed by education providers on skills that are relevant to the economy.⁵⁰ Strong partnerships between education and enterprise will be essential to the realisation of this objective.

Since Skillnets was first established, our networks have collaborated with Higher Education Institutions (HEIs) to design new programmes for defined skills needs, leveraging their proximity to enterprise and the related industry intelligence.

Given the importance of ensuring that provision is relevant to the needs of enterprise, Skillnets makes a substantial annual investment in new programme development. Skillnets’ Future Skills Needs Programme (FSNP) is designed to facilitate training networks to develop innovative programmes that address future skills needs. The programme is essentially a fund that allows network member companies to collaborate with HEIs to develop new programmes. Established in 2011, the FSNP has succeeded in developing a strong suite of new programmes each year. Importantly, businesses co-invest in programme development through the FSNP. They also make non-financial investments by deploying HR and other specialist staff to work with training networks and relevant HEIs to identify learning outcomes that address future business requirements.

A key advantage of this partnership approach is that the involvement of employers reduces the risk for HEIs of developing programme that are neither relevant nor commercially viable. A key benefit for employers is that once they contribute staff time to providing insight into programme demand and design, the development work is then taken on by the relevant HEI experts.

Skillnets’ FSNP-funded collaborations have produced a range of postgraduate qualifications that have proven to be particularly successful in terms of participation rates and subsequent business impact. Exemplars include specialist NQF Level 9 qualifications in software product development, medical technologies and aviation finance. The development of qualifications like these makes a positive contribution to workforce development in key sectors including technology, medical devices and international financial services.

The evidence suggests that initiatives and programmes such as FSNP will play an important role in the coming years, because they are underpinned by strong education-enterprise partnerships and support a national skills policy objectives.

⁵⁰ National Skills Strategy 2025, 2016, p.11

Conclusion

As a global trend, the demand for skilled workers is increasing. Up-skilling those in employment and creating a vigorous talent base enhances competitiveness at both a firm level and at national level. It builds on our strategies that have led to such a successful track record in attracting foreign direct investment. It is evident that other countries will increasingly use financial incentives to stimulate enterprise-led skills development. In this context there is a need to re-focus efforts on in-employment training if we are to hold our own, or indeed outperform relative to other jurisdictions.

Skillnets has a long track record of programme management and the co-ordination of enterprise-led training in Ireland. As outlined by the OECD, Skillnets has demonstrable capacity to generate SME 'ownership' of the skills development agenda. Our model has proven itself to be responsive and scalable. In the context of a rebalancing of the NTF toward 'In employment' training, Skillnets is well placed to address the several challenges outlined in this submission.