



Unlock the National Training Fund to Invest in Ireland Skills and Talent Matrix

Joint Oireachtas Committee for Enterprise, Trade and Employment 3 May 2023

A Chathaoirleach,

Thank you for the opportunity to meet with the Committee today. My name is Claire McGee, Head of Education and Innovation Policy at Ibec, and I am joined by my colleague, Meadhbh Costello, Policy Executive to discuss the Future of the National Training Fund.

Education, skills and talent development consistently top of priority lists for the businesses that Ibec represent. Digitalisation, automation, and globalisation are transforming the world of work at an unprecedented pace with significant impact for education and learning.

2023 marks the EU Year of Skills , which aim to give a fresh impetus to lifelong learning, empowering people and companies to contribute to the green and digital transitions, supporting innovation and competitiveness.

Ireland is rich with high tech, highly innovative business sectors with a global outlook, from technology, financial services, pharmaceuticals, medical technology, agriculture and food, engineering, and manufacturing. The challenge now for Irish industry is to retain its hard-earned size, scale and reputation by continuing to deliver world-class performance in all aspects of current and future operations.

Sustainable and inclusive economic growth will rely on gains in labour productivity and closing the productivity between MNCs and indigenous companies. Labour productivity in supporting the adoption of game changing technologies in Irish firms in both the digital and green sectors, and also ensuring that businesses have access to the necessary skills .

Lifelong learning is essential to sustain and develop a skilled workforce that can adapt and respond to changing skills need. This requires appropriate levels of strategic planning and financial resources.

The National Training Fund – a strategic asset that can deliver a step change in skills and talent development

A lack of key skills remains a challenge for almost 81% of employers in Ireland. While businesses continue to face difficulties filling vacancies across all industry sectors, the

emergence of new technologies and megatrends such as climate change are fuelling a rapid transformation of the skills needed across the workforce.

Accessing the surplus of the NTF to invest in digital skills, green skills, management skills and transversal employability skills will be critical for building the resilience of our workforce to the future of work. The surplus in the NTF is an opportunity to leverage the increasing interest among employers in lifelong learning to drive innovation and a step-change in skills delivery.

The National Training Fund is resourced by a levy on employers, via the PSRI contribution. The NTF levy has increased by 0.1 percentage points of the total wage bill in the State in each of 2018, 2019 and 2020 – to a total of 1% of the total national wage bill. At a workplace level, this means that the average spend on the NTF for companies per euro of wages has increased by 42% over the past four years. For 2023, the income of the National Training Fund is forecast at €1020m, with expenditure forecast at €900m, giving rise to an expected annual surplus of €120m. This, in turn, will increase the accumulated surplus to over €1.5 billion euro.

The scale of the NTF surplus has reached a spending stalemate. Now is the time to approve a short-term investment campaign with one off mechanisms to utilise the existing surplus and to prevent the year-on-year increase of unspent employer contributions. It is untenable that employers' contributions would continue to accumulate while the demand from business for upskilling and reskilling goes underserved, particularly in the context of a tight labour market where strengthening the skill base is critical to leverage opportunities presented by digitisation and enhance the transition to a greener economy.

Ibec's Key Priorities for the National Training Fund to Increase Business Innovation and Productivity:

- 1. Introduce a National Training Voucher Scheme** to encourage more employers to engage in upskilling and reskilling of their workforce. The Indecon Review of the NTF, published in 2019, called for a new innovative pilot initiative to increase in-company training, thereby increase productivity and innovation capacity, particularly in SMEs. The introduction of a National Training Voucher scheme has the potential to boost in-company training and widen participation in upskilling and reskilling to include all businesses and employers. Based on the principle of cost reimbursement, business should be able to claim back expenses for training costs during the year undertaken with an accredited education and training provider. Such a scheme is highly attractive to business as it provides greater flexibility and freedom to plan and source relevant training directly without the burden of national administrative scaffolding or programmes which may or may not align with their strategic needs. There is successful precedent in Ireland for using voucher schemes to encourage greater education and enterprise engagement with the Enterprise Ireland Innovation Voucher scheme.

2. **Support the dual investment in technology and talent** to help businesses, in particular SMEs to boost their productivity and support their digitalisation, and introduce more sustainable business practices in areas such as energy efficiency and carbon emissions reduction. Businesses need support in adopting new technologies and also ensuring workers have the necessary skills for their operation. A new initiative is needed which links technology adoption, innovation and skills development in a practical way for businesses. A dedicated programme to support dual investment in skills and technology for the twin transition, as well as continued infrastructure investment in further education centres of excellence; and research and innovation infrastructure and equipment in Ireland's higher education institutions and research centres.
3. **Invest in industry-academia collaboration to respond to industry skills** needs and drive innovation in teaching and learning Industry-academia collaboration in skills provision is critical to responding to existing and future skills needs of business, providing opportunities for work experience and work-based learning and enhancing the overall employability of education and training programmes. Funding should be utilised to strengthen industry academia collaboration across institutions and to develop innovative models for collaborative education and skills delivery. A funded graduate placement programme would support SMEs to attract and retain high quality graduate and research talent and build a connection with an education and training institution.
4. **Incentivise more SMEs to engage in the apprenticeship programme** by addressing cost barriers. We are now reaching a critical phase of Generation Apprenticeship where more employers and business will be needed meet the targets set out in the Action Plan for Apprenticeships. While the introduction of the €2,000 employer incentive scheme is welcomed by employers, businesses continue to face significant costs barriers in employing apprentices related to recruitment, training, employment, mentorship, backfilling of positions, and subsistence. These costs can be particularly challenging for SMEs. To encourage more smaller businesses to take part in apprenticeships, the existing employer incentive should be increased to €7,000 for SMEs. As SMEs often have limited HR functions and capacities, additional supports around the recruitment of apprentices should also be developed.
5. **Leverage the National Training Fund to implement a Lifelong Learning Strategy** for Ireland to prepare individuals for the digital and green twin transition While Ireland's lifelong learning participation rate stands above the EU average at 13%, Ireland continues to fall behind our international counterparts such as Sweden (34.7%), Finland (30.5%) and Netherlands (26.6%). The NTF is an opportunity to financially underpin a strategic approach to lifelong learning and upskill Ireland's workforce to prepare for the digital and green transition across all sectors of the economy. Further investment in upskilling, reskilling and lifelong learning opportunities in the critical skills areas should be supported through Springboard+ and existing Skillnet

Ireland networks. A new lifelong learning Strategy will provide a renewed focus for the National Training Fund to meet its policy objectives and avoid the accrual of annual surpluses.

6. **Future Proof Ireland's Openness and Attractiveness as destination for Talent:** In Ibec's latest CEO survey over 70% of companies identified the availability of housing for staff as a challenge to their business operations in 2023. Other quality of life issues, related to healthcare, childcare, etc, are also impacting Ireland's attractiveness for future investment. Construction, healthcare, childcare, education all require proficient and quality level of services to continue and will require continued investment in skills. Unlocking the National Training can address the skills bottlenecks to meet strategic challenges facing Ireland and deliver on Government strategies related to Housing for All, the National Development Plan, Slaintecare etc.

Conclusion

With an unrivalled pace of technological change and an increasingly globally competitive environment, there has never been a more urgent need for a talented, enterprising workforce, constant innovation in product and services and a quality and well-resourced education and training system.

The digital transformation of business is changing how people work, new digital technologies and business models are altering skills profiles for existing roles and creating new roles.

Investment in people, technology and innovation needs to be a top five investment priority for Ireland to build resilience and readiness across the economy.

Now is the time for Ireland to really consider what our new economic narrative should be. A new strategy for lifelong learning and workforce development, financed by the National Training Fund, can provide the answer, and put innovation, research, talent, and skills at the heart of our economy and society.

Meadhbh and I look forward to supporting your work in this important area and welcome any questions.

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