



## An Overview of the National Training Fund (NTF)

### Key Messages

- The NTF is a dedicated fund to support the training of those seeking to take up employment, those in employment seeking to upskill, and facilitate lifelong learning.
- The NTF is financed by a levy on employers and collected through the PAYE/PRSI system. Currently the NTF levy is set at 1% on reckonable earnings, following annual increases of 0.1% during Budgets 2018, 2019 and 2020.
- In 2023, the NTF's income is projected to be €1.02 billion, with spending of €0.9 billion, resulting in an expected surplus of around €0.12 billion.
- The total accumulated surplus in the NTF is projected to reach between €1.4 to €1.5 billion by end 2023, following successive years of surpluses being generated by the fund.
- The NTF income and spending is set out in *Revised Estimates for Public Services*, under Vote 45A. But it is separate from the allocation approved by Dáil Éireann during the annual estimates process.
- There are challenges with using the NTF surplus. The fund has specific spending rules and is factored into the DFHERIS departmental expenditure ceiling. This means spending from the fund reduces other Exchequer supports allocated to the Department.
- As the Irish economy is currently operating at record levels of employment, a challenge facing the NTF is shifting priorities of how to balance the allocation of funding between training for employment and training for those seeking to upskill.
- Over time the NTF has changed in terms of its funding priorities, with 83% of funding in 2014 spent on training programmes for employment, compared to only 52% in 2022.
- While the NTF levy is a contributor to employers' cost base, investment from the NTF has the potential to bring substantial long-term benefits associated with higher levels of human capital, particularly in terms of labour supply and labour productivity.

### Introduction

This note provides an updated overview of Ireland's National Training Fund (NTF), building off a previous PBO publication.<sup>1</sup> The fund is used to finance training and upskilling programmes for those seeking to enter the labour market or undergo upskilling training. The note will outline how the fund is financed, the areas supported by NTF and present an overview of NTF's income and spending trends.

This note forms part of a series of PBO publications intended to serve as ongoing reference documents. These publications are intended to explain key concepts which are present in many of the PBO's core publications, enabling new and returning readers of PBO publications to maximise their understanding of the PBO's analysis. These publications will address issues of varying degrees of complexity.

<sup>1</sup> The Parliamentary Budget Office (PBO), *The National Training Fund* (2018).



## Overview

The National Training Fund (NTF) was established by the *National Training Fund Act, 2000*.<sup>2</sup> It is a dedicated fund to support the training of those in employment, those seeking employment and to support lifelong learning. The Act allocates funding for research to provide information on existing and likely future skills requirements of the economy.<sup>3</sup> The Act requires that any surplus funding remains in the NTF account to provide for reinvestment into eligible training activities. The NTF is funded by a levy on employers, which is collected through the PAYE/PRSI system and transferred monthly to the Department of Further and Higher Education, Research, Innovation and Science (DFHERIS) by the Department of Social Protection (DSP).

Between 2000 and 2017, a levy of 0.7% was applied to reckonable earnings in respect of employees in Class A and Class H employments. This accounted for approximately 75% of all insured employees.<sup>4</sup> Following a consultation process in 2017, the Government decided to increase the NTF Levy by 0.1% annually for 2018, 2019 and 2020 as part of the budget process. Following the implementation of the reforms, the current levy is 1% for 2023.

The NTF was originally ring-fenced and heavily concentrated on funding of FÁS/SOLAS training programmes.<sup>5</sup> Over time there has been a move away from ring-fenced arrangements and the NTF is now a broad-based fund supporting Higher Education, Further Education and Training, and some programmes providing enterprise and employment supports.<sup>6</sup>

Previously the NTF was under the responsibility of the Department of Education and Skills. Yet since 2020, the NTF is under the responsibility of DFHERIS, and set out in Vote 45A in the Revised Estimates for Public Service. This is separate from the DFHERIS Vote 45 allocation, which is approved by Dáil Éireann in the annual estimates process. However, the NTF spending is determined as part of the budgetary estimates process and is included within the departmental expenditure ceiling.<sup>7 8</sup> This sets out how much funding can be spent by a department in a given year.

The NTF is also part funded through the European Social Fund (ESF). This funding depends on the amounts certified to, and reimbursed by, the European Commission in that year in respect of NTF funded activities.

## Funding Higher Education

In 2016, the Expert Group on Future Skill Needs produced a report (the Cassells report) which examined the future funding higher education highlighting the importance of increasing funding to the higher education sector, recommending an increase in core funding to €600 million in 2021, rising to €1 billion by 2030.<sup>9</sup> The report outlined funding could be delivered on a phased basis over the next 15 years, but to restore and enhance quality would mean annual increases in funding within three to five years.

The Cassells report recommended introducing a stronger and structured contribution from employers, via the NTF levy, to support higher education funding. This funding would be targeted to support programmes in areas of high skills demand and achieve flexibility of delivery for programmes, helping to create greater engagement between academic institutions and employers. This recommendation was implemented through gradual increases of 0.1% in the NTF levy between 2018 and 2020, generating almost €2 billion in income alone between 2018 and 2021 for higher education.

The NTF provides an important source of funding for further and higher education. The total gross voted spending for DFHEIRS (Vote 45) in 2023 was around €3.1 billion, while the National Training Fund (Vote 45A) gross spend was around €0.9 billion for 2023.<sup>10</sup> This amounted to around 29% of the DFHEIRS gross total spend. Surpluses generated by the fund prior to the 2008 financial crash enabled the establishment of a reserve, which has allowed the NTF to provide a stable source of funding for education and training regardless of economic cycles.

<sup>2</sup> Government of Ireland, *National Training Fund Act* (2000). The Section 7 of the Act lists what are the appropriate payments from the Fund.

<sup>3</sup> DFHERIS, *National Training Fund 2020 and 2021 Report* (2022).

<sup>4</sup> The Parliamentary Budget Office (PBO), *The National Training Fund* (2018).

<sup>5</sup> SOLAS, formerly FÁS, was established in 2013 as an agency under DFHERIS, to manage further education and training programmes.

<sup>6</sup> Indecon International Economic Consultants, *Indecon Review of the National Training Fund* (2018).

<sup>7</sup> Department of Public Expenditure, NDP Delivery and Reform, *Expenditure Ceilings 2023-2025*.

<sup>8</sup> Department of Public Expenditure, NDP Delivery and Reform *Revised Estimates for Public Services 2023*.

<sup>9</sup> Report of the Expert Group on Future Funding for Higher Education (Cassells Report), *Investing in National ambition: A Strategy for Funding Higher Education* (2016).

<sup>10</sup> Department of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services 2023*.



The NTF has two main spending areas, to provide training for those seeking to take up employment and to upskill those already in employment. A breakdown of this allocation for 2023 is set out in *Table 1*.

**Table 1: NTF Funding Allocation 2023**

Programme	2023 Allocation (m)	Percentage
Skills Acquisition for Purpose of taking up employment	526.77	58.5%
Programmes for those in Employment	370.53	42.1%
Provision of Information on Skills Requirement	3.43	0.4%
<b>Total</b>	<b>902.74</b>	<b>100%</b>

**Source:** Dept. of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services 2023*.

**Note:** Rounding Affects Totals

The Higher Education Authority (HEA) and SOLAS are the two main recipients of NTF funding, accounting for roughly 92% of the 2023 allocation. This funding includes the cost of providing Apprenticeship/Training Courses, training allowances paid to apprentices; Enterprise Focused Higher Education Provision; and more recently, the Human Capital Initiative (HCI).<sup>11</sup>

The HCI is a ring-fenced funding initiative totalling €0.3 billion over a five-year period. It was established in 2020 from the NTF's accumulated surplus, providing an annual investment of €0.06 billion, which forms a key part of the Government's strategic response to Brexit and other challenges facing the economy from 2020 to 2024.<sup>12</sup>

## Reforms to the NTF

In Q1 2018, employment stood at 2.22 million,<sup>13</sup> increasing the demand for in-employment upskilling training. The Department of Education and Skills commissioned an independent report from Indecon in 2018 which identified the NTF needed to respond quickly to labour market changes, as programme allocations may not appropriately reflect changing labour market needs.<sup>14</sup> This was reflected by the Department of Public Expenditure and Reform, who highlighted the need to avert a situation where programme spending remain static regardless of labour market conditions to ensure funding was allocated to effectively address the labour markets skills demands.<sup>15</sup>

Following the Indecon Review of the National Training Fund, an implementation plan was designed to address the recommendations and oversee the response to meeting the skills needs of the economy. Some of the recent reforms implemented:

- Successive budgets increased the NTF levy from 0.7% to 1% of the State's total national wage bill, providing an additional €0.42 billion annually by 2022.
- In 2019 the National Training Fund Advisory Group was established to consider NTF priorities, principles, economic circumstances and ensure training provision aligned with skills needs.
- A concentrated increase on training, upskilling and reskilling opportunities, with a focus on Small and Medium Enterprises (SMEs), and those employed in sectors and regions vulnerable to Brexit and automation.
- From 2020 to 2024, a total of €0.3 billion from the NTF surplus has been granted under the Human Capital Initiative (HCI), following the recommendation to use the surplus and development of labour market skills.<sup>16</sup>
- From 2020 all NTF funded Programmes will have to detail progression, placement, and completion data to maintain a transparent monitoring evaluation of the NTF prioritising the metrics and data provided for the evaluation of the Programmes.<sup>17</sup>

<sup>11</sup> DFHERIS, *National Training Fund 2020 and 2021 Report* (2022).

<sup>12</sup> Department of Public Expenditure, NDP Delivery and Reform, *Budget 2019 Part II - Expenditure Allocations 2019-2021*.

<sup>13</sup> Department of Public Expenditure and Reform, *Spending Review 2018, Overview of Enterprise Supports and the Labour Market*.

<sup>14</sup> Indecon International Economic Consultants, *Indecon Review of the National Training Fund* (2018).

<sup>15</sup> Irish Economic and Evaluation Services with the Department of Public Expenditure and Reform, *Analysis of Further Education and Training Expenditure by Education Training Boards* (2017).

<sup>16</sup> *Parliamentary Question 47240/19*, (2019).

<sup>17</sup> Department of Education, *Review of the National Fund Implementation Plan* (2020).

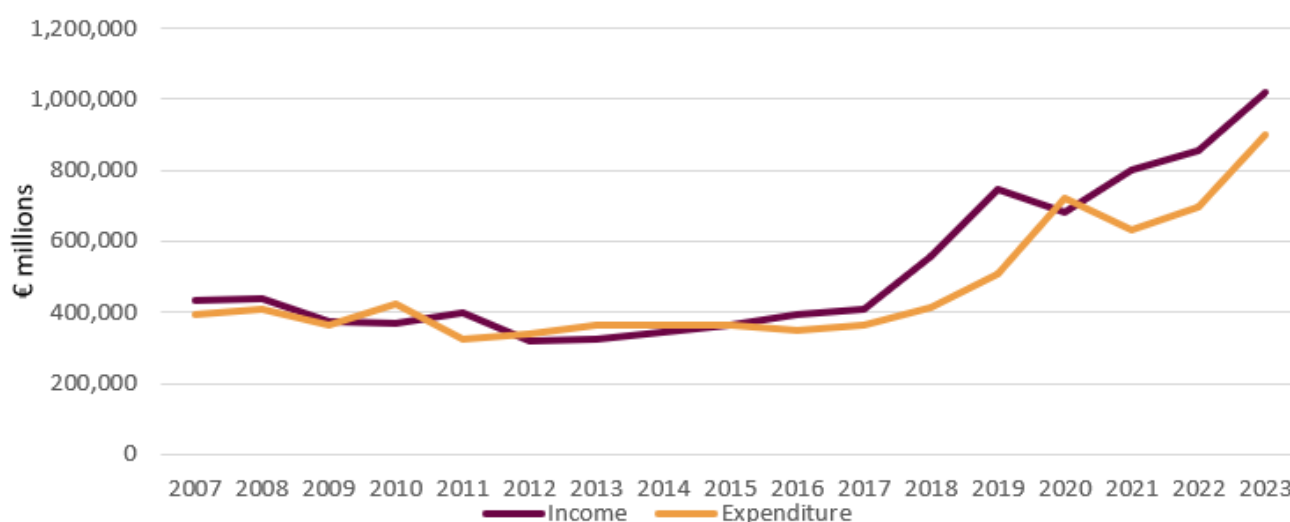


## Income and Expenditure

The NTF's income has increased annually, particularly since 2015 following the recovery in the Irish economy and increases in employment. This increase was partly driven by the NTF rate increases, while wage growth in 2022 will provide additional income through the levy on reckonable earnings.<sup>18</sup> Since 2017, NTF spending increased from €0.366 billion to over €0.9 billion in 2023. Yet, excluding 2020, income has increased at a faster rate than spending, resulting in an increasing surplus.<sup>19</sup> Further detail on changes to spending for NTF programmes between 2018 and 2023 is included in *Table 2*, later in this document.

In 2023, the NTF's income is projected to be €1.02 billion with spending of €0.9 billion, resulting in a surplus of €0.12 billion.<sup>20</sup> In total, the accumulated NTF surplus Fund is projected to reach approximately €1.4 to €1.5 billion for 2023.<sup>21 22</sup> If spending remains stable, along with unwinding Covid emergency spending supports, the surplus could reach nearly €2 billion by 2025.<sup>23</sup> Figure 2 shows the trends in NTF income and spending from 2007 to 2023.

**Figure 1: NTF Income and Spending 2007 to 2023**



**Source:** Dept. of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services, 2007 to 2023*.

## NTF Funding Priorities

The priorities underpinning the NTF have changed and varied over time, depending on economic cycles and skills demands on the economy. These wider macroeconomic factors have influenced the level of income for the NTF as well as the funding priorities, depending on skills needs and employment levels. In 2023, NTF spending is estimated to be over €0.9 billion, a 20% increase on 2022. Of this, €0.37 billion was used to support those already in employment, with funding for Apprenticeship Programmes, receiving 70% of the upskilling funds.<sup>24</sup>

Over €0.526 billion was allocated for those doing programmes to take up employment. SOLAS, the Education and Training Boards (ETBs) and Higher Education Authority (HEA) were the main recipients holding €0.298 billion (56%) and €0.148 billion (28%) respectively. The Government earmarked part of the NTF on deep-tech training, graduate training on ICT and supporting science research.

<sup>18</sup> Central Statistics Office (CSO), *Earnings and Labour Costs Q3 2022 (final)* (2023).

<sup>19</sup> Indecon International Economic Consultants, *Indecon Review of the National Training Fund* (2018).

<sup>20</sup> Department of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services 2023*.

<sup>21</sup> DFHERIS, *National Training Fund 2020 and 2021 Report* (2022).

<sup>22</sup> Department of Public Expenditure, NDP Delivery and Reform *Revised Estimates for Public Services 2023*.

<sup>23</sup> *Parliamentary Question 35013/21*, (2021).

<sup>24</sup> Department of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services 2023*.

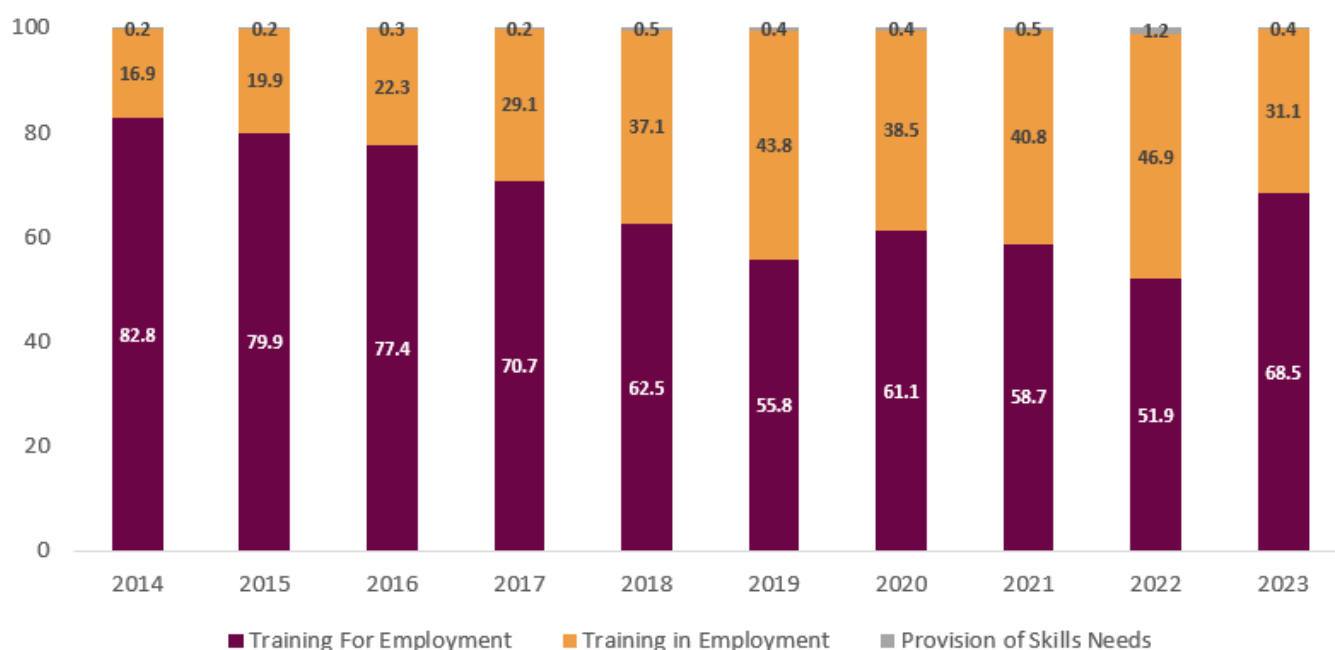


However, there are a number of limitations regarding spending from the NTF. This includes:

- Spending on further and higher education and training, funded by the NTF, impacts the overall DFHERIS expenditure ceiling.
- To remain within Departmental spending ceilings, any increases in spending from the NTF must be fully offset by reduced Exchequer spending.
- While spending from the NTF surplus does not affect the Exchequer balance, it increases general government spending and can only be considered within the fiscal strategy agreed by the Government.<sup>25</sup>

Between 2014 and 2023, the funding priorities of NTF has gradually changed, as seen in *Figure 2*. In 2014, almost 83% of NTF spending was spent on funding training programmes if compared to only 52% in 2022. In comparison, spending on upskilling for those in employment increased from around 17% to 31% during the same time.

**Figure 2: NTF Allocation by Programme, 2014 to 2023**



**Source:** Dept. of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services, 20014 to 2023*.

**Note:** Figures for 2023 are expected funding allocations. Figures are measured as percentages (%).

## Future of the Fund

The growth of the NTF's income and surplus are also related to other macroeconomic factors, such as employment levels and wage increases, which provide extra income to the NTF due to additional workers. In May 2023, unemployment was at its lowest recorded rate of 3.8%,<sup>26</sup> increasing the pool of workers contributing to the fund.

One challenge facing the NTF is how to appropriately respond during periods of record employment. Given reductions in unemployment, there has been increased demand for upskilling training from those in-employment. Unless the NTF responds quickly to changes in the labour market, spending on programmes may not fully reflect changing labour market needs.<sup>27</sup> The appropriate level of spending on the wider social inclusion focused programmes needs to be critically reviewed to avoid spending being static regardless of wider economic and labour market conditions.<sup>28</sup>

<sup>25</sup> DFHERIS, *National Training Fund 2020 and 2021 Report* (2022).

<sup>26</sup> Central Statistics Office (CSO), *Monthly Unemployment - May 2023*.

<sup>27</sup> Indecon International Economic Consultants, *Indecon Review of the National Training Fund* (2018).

<sup>28</sup> Irish Economic and Evaluation Services with Department of Public Expenditure and Reform, *Analysis of Further Education and Training Expenditure by Education Training Boards* (2017).



Given NTF spending is governed by Departmental spending rules, this affects how much of the NTF surplus can be spent annually on programmes. While the NTF surplus is expected to grow further over the coming years, there should be caution around potential changes to the NTF funding structure to slow the growth in the surplus, such as by reducing the employer's levy. Reducing the NTF's accumulated surplus would impact the size of the fund earmarked to support education and training, and which provides an investment buffer for education during periods of economic downturn.

A further challenge for the NTF is how to respond in skills areas that employers have identified as lacking in Ireland.<sup>29</sup> This includes areas such as IT, finance and the green economy, with the emergence of new technologies and megatrends such as climate change are fuelling a rapid transformation of the skills needed across the workforce.<sup>30</sup> An OECD report on Skills Strategy<sup>31</sup> further highlighted the risk of Ireland experiencing a skills mismatch given that a significant number of adults had a third level education, above the OECD average, but not necessarily the right skills desired by employers. The report recommended additional investment in skills to increase work capabilities, while further initiatives were launched to increase investment and support workers to address skills shortages.<sup>32</sup>

Discussions between DFHERIS, Dept. Enterprise, Trade and Employment and the Dept. Public Expenditure NDP Delivery and Reform for developing proposals on how best to use the NTF and its surplus for promoting reskilling and upskilling are ongoing in advance of the budgetary estimates process.<sup>33</sup>

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<sup>29</sup> Joint Committee on Enterprise, Trading and Employment, (2023).

<sup>30</sup> Ibec, *Future of the National Training Fund* (2022).

<sup>31</sup> OECD, *OECD Skills Strategy Ireland* (2023).

<sup>32</sup> DFHERIS, *Year of Skills 2023*.

<sup>33</sup> *Parliamentary Question 26608/23*, (2023).





**Table 2: Comparison of the National Training Fund allocation (€m)**

Programme	2018	2023	Percentage Change
<b>Training For Employment</b>			
Training People for Employment (SOLAS/ ETBs)	182,5021	297,927	63.25%
Labour Market focused HE	37,000	148,352	300.95%
Springboard+	30,438	6,888	-
Training Networks Programmes (Skillnet)	2,170	5,449	147.68%
Technical Employment Support Grant (DEASP)	3,200	2,500,	(21.87%)
Community Employment Training (DEASP)	4,200	4,200	0%
European Globalisation Fund	50	50	(50%)
Work Placement Experience Programme	-	1,400	-
Human Capital Initiative	-	60,000	-
<b>Total Exp Training for Employment</b>	<b>259,560</b>	<b>526,766</b>	<b>102.94%</b>
<b>Training for those in Employment</b>			
Apprenticeships (SOLAS/ HEA)	122,000	257,396	110.98%
Training Network Programme (Skillnet)	19,530	53,692	175.34%
Training Grants to Industry	6,500	6,500	0%
Traineeships for those in employment (SOLAS)	1,500	2,900	93.33%
Regional Skills Innovation	1,000	800	(20%)
Community and Voluntary Organisation (The Wheel)	375	1,140	185%
Springboard	-	27,550	(9.37%)
Employee and Continuity Professional Development	-	20,550	-
Workplace Basic Educational Fund (SOLAS)	3,000	-	-
Continuity Professional Development	75	-	-
<b>Total Exp Training in Employment</b>	<b>153,980</b>	<b>370,528</b>	<b>140.63%</b>
<b>Provision of Skills</b>			
Regional Skills Fora	1,000	-	-
Skills Analysis Unit (SOLAS)	500	-	-
Expert Group on future skills needs	400	-	-
Provision of Information on Skills Requirement	1,860	3,427	-
<b>Total</b>	<b>3,760</b>	<b>3,427</b>	<b>80.36%</b>
<b>Overall Total Expenditure</b>	<b>417,300</b>	<b>900,721</b>	<b>115.84%</b>

**Source:** Department of Public Expenditure, NDP Delivery and Reform, *Revised Estimates for Public Services 2023*; DFHERIS, *National Training Fund 2020 and 2021 Report*, (2022) and The Parliamentary Budget Office (PBO), *The National Training Fund*, (2018).

**Note:** Rounding Affects Totals



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