Chambers Ireland's submission to the Department of Education and Skills on the Proposed Exchequer-Employer Investment Mechanism for Higher Education and Further Education and Training

April 2017

Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses and represent their views. We welcome the opportunity to inform this consultation process and we look forward to further engagement with the Department of Education and Skills in the future.

This submission has been formulated in correspondence with our Chamber Network and national policy council, which represent the Chambers and their member companies across a variety of industry sectors in all regions, and including businesses of all sizes.

Ireland is recognised as having a world class education system and our uniquely educated and young work force is a major advantage for businesses operating here[1]. Our education and training system has seen many positive changes over recent years, but challenges remain in ensuring it is capable of meeting current and future skills needs of the economy.

Businesses benefit greatly from opportunities to access training and skills for employees and Chambers Ireland acknowledges the significant benefits derived from the Higher Education (HE) and Further Education and Training (FET) sectors for both employers and employees. Chambers Ireland firmly supports the work of the Department of Education and Skills and recognises the vital role that further education and higher education play in creating opportunities for employers and employees across the country.

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[1] *In 2015 Ireland had the highest share of third level graduates, 39.9%, within the European Union, well exceeding the EU average of 27.9%*

Business Environment & Competitiveness

The economic environment currently facing Irish business is one filled with challenges and a number of uncertainties. The recent triggering of Article 50 by the British Prime Minister means that we are now in a period of negotiations for what are currently unknown trading conditions with Ireland's major trading partner, the United Kingdom.

With the UK set to leave the European Union, the Customs Union and the European Single Market in the near future, it is now more important than ever that Ireland remain open for business and increase competitiveness. In light of the exposure of Ireland's economy to external shocks and given the possible 'hard-Brexit' scenario, we must seek to remain as competitive as possible. Alongside this, we are witnessing a shift towards protectionism in the US, and there remains the potential for policy changes by the United States in the areas of trade and tax which would have the potential to significantly impact upon Ireland's open economy and the global economic environment. We cannot afford to increase the cost burdens facing Irish business at a time when there are many new and still unknown challenges facing our economy.

In addition to the external threats facing Ireland's economy, businesses across the country are facing increased costs from various sources, from the revaluations of commercial rates to increased wage demands caused by the high cost of living.

Increasing taxation on employers in this context represents a burden on business at a time when many are facing a greater number of risks and threats to their operations. It is increasingly important that Ireland remains a competitive place in which to do business and that Irish businesses are able to compete internationally. An increase in cost to employers through a .3% increase in employers' PRSI contribution over three years will have clear implications for the competitiveness of Irish business and may further result in increased costs to the consumer.

While we acknowledge the long term benefits of investment in education by employers, in the current economic climate and with businesses facing increasing pressures and costs in a number of areas, from pensions to rising rents, it is not appropriate to introduce an increase to the employers' PRSI tax.

Refocusing the National Training Fund

It is the view of Chambers Ireland that the current allocation of the National Training Fund (NTF) expenditure must be urgently reassessed and refocused.

The allocation of the NTF is not reflective of current employment trends. At present, only 23% of the National Training Fund is allocated for training of those in the workforce, while 77% goes towards training for those seeking employment. This is completely in contrast to the unemployment figures, which have been steadily falling in recent years: there are now more than 2 million people at work for the first time since 2008 and unemployment is projected to average 6.4% for 2017 and 5.8% for 2018, and is currently at the lowest level since 2008[2].

Looking back to 2007, at a time when the unemployment rate was similarly low (5% Dec 2017[3]) the National Training Fund was administered 49% towards "for employment" training and 51% "in employment" training. Taking this into account there must be a reassessment of the NTF and a refocusing of how the Funds are spent.

Before there can be any proposed increases to employers' PRSI contribution there must be a clear return on the significant investment made by employers into the National Training Fund through tax contributions. The NTF must be reflective of current employment trends and Chambers Ireland is calling for a realignment of the NTF which takes into account and is more closely aligned with employment levels and is transparent.

In today's fast paced economy and disruptive technological environment it is more important than ever that our education system is capable of maintaining a resilient and world-class workforce. This means engagement with training and education at various stages of a worker's career. Given the rapidly changing skills demands of a modern economy, further education, up-skilling and re-skilling are becoming par for the course in today's businesses. However, Ireland has lower levels of engagement in further education and lifelong learning when compared to other European countries.

According to a report published last year by the FET body Solas, "Ireland's lifelong learning rate, at 7.2% in Quarter 4 2015, is less than half the benchmark set by the EU under its Education & Training framework (ET 2020), which aims to have 15% of adults aged 25-64 engaging in lifelong learning by 2020"[4]. Similarly, the Expert Group on Future Skills Needs' report on Lifelong Learning in Ireland published in July 2016 found that the participation rate of adults in Ireland in Lifelong Learning lags behind the European average. A worrying trend highlighted in this report was that the gap between Ireland's participation rate and the EU average actually widened between 2009 and 2014[5]. When looking at these trends we must also be cognisant of the fact that Ireland's older population has significantly lower levels of education than the younger cohorts: "older cohorts are less likely to be third level graduates: for each five-year age groups from 35 years onwards, the share of third level graduates declines, falling to 25% for the 60-64 age cohort"[6].

Investment is required to engage employees in lifelong learning and to address the skills gaps which exist within Ireland's workforce. In order to remain a competitive business environment Ireland must improve resources available for the enhancement of our human capital through FET bodies such as Skillnets and Solas. The current division of this Fund is not reflective of the wider economic environment and the need to up-skill and invest more money in the education of those in employment.

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[2] http://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentmarch2017/

[3] http://www.cso.ie/en/statistics/labourmarket/principalstatistics/seasonallyadjustedstandardisedunemploymentratessur/

[4] http://www.solas.ie/SolasPdfLibrary/LifelongLearningReport2016.pdf

[5] http://www.skillsireland.ie/Publications/2016/Lifelong-Learning-Report-2016-Web-Final.pdf

[6] http://www.skillsireland.ie/Publications/2016/Monitoring-Skills-2016-Web-Final-Report.pdf

There is also an opportunity to increase the capacity of Irish businesses to prepare for the business ramifications related to Brexit and assist them through training in areas such as seeking new markets, customs and tariffs information, currency hedging and more. This could be facilitated through bodies and networks already operating in the FET space, such as Solas and Skillnets and would serve as a means to prepare Irish business for the unprecedented challenges facing our economy.

Conclusion

Facing into a period of economic uncertainty we must not act to counter the competitiveness of Ireland's businesses. The proposed .3% increase to employers' PRSI contribution would be an extra cost for employers, which is not returned through training provision in a proportional way at current levels. Chambers Ireland fully supports the need to ensure that the FET and HE sectors are adequately funded; however we are calling for the refocusing of the National Training Fund to reflect current employment levels and for the necessary funding to be identified which will benefit those in employment.