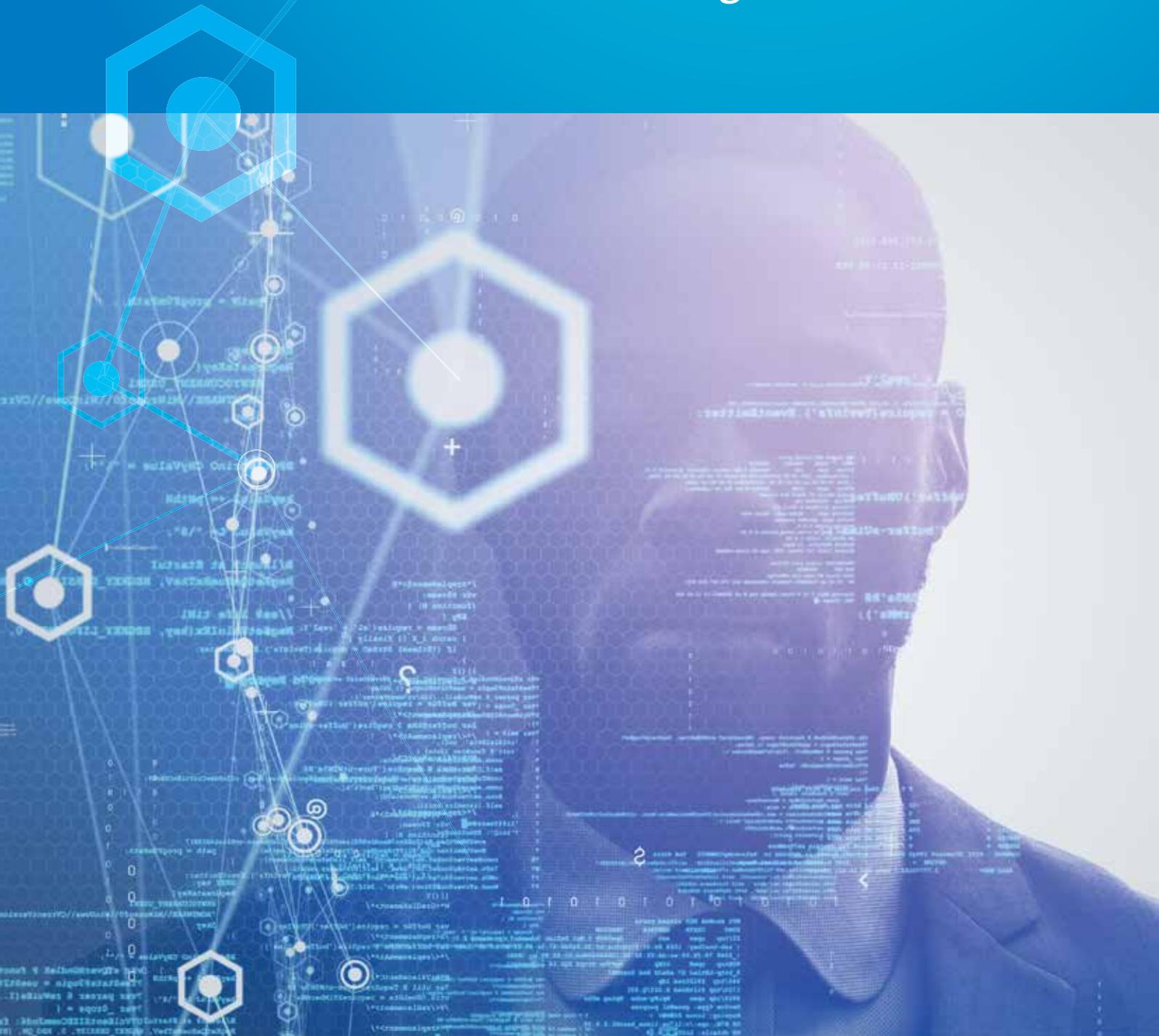


Upskilling Ireland's Workforce: Following Through on High Ambitions



Acknowledgements

We would like to acknowledge the role of Dr John Sweeney in helping to carry out this research, the kind support of Accenture and the ongoing contribution of the Board of FIT.

Contents

Introduction	4
Section 01: Ireland's new model of Economic Development	5
1.1 A new economic script	6
1.2 Taking the 'high road'	7
1.3 Revaluing so-called 'low skilled' jobs	8
1.4 Supportive wage policies	9
1.5 Nudging Ireland's Welfare State forward: a Pandemic prompt	11
Section 02: Major challenges in Ireland's Labour Market	13
2.1 The prevalence of low earnings	14
2.2 Poor skills matching	15
2.3 Mediocre job quality	18
Section 03: Advancing Ireland's Labour Market	19
3.1 Analysis and ways forward	20
3.2 Strengthening policies for upskilling and life-long learning	21
3.3 Up-skilling to sustain export success	22
3.5 A Pandemic window on FDI success	23
3.6 Upskilling the domestic economy	23
3.7 A Pandemic window on the domestic economy	24
3.8 Understanding why people stay in low productivity jobs and do not upskill	24
3.9 Advancing what 'activation' means	25
Section 04: Accommodating changes still needed in Education	27
4.1 Graduates with disappointing labour market outcomes	28
4.2 Qualifications inflation: an EU challenge and particularly an Irish one	29
4.3 Learning from non-completion in higher education	30
4.4 Pedagogy and curriculum in upper secondary education	32
4.5 Disaffection with schooling	33
4.6 The CAO points system	33
4.7 Analysis and reflections	34
Section 05: Recommendations	39
Appendix 1	45
Appendix 2	46
References	47

Introduction

At a high level, national strategies for the economy, enterprise and employment emphasise that it is an altogether new imperative that people in employment now should be aware of their need, and have the opportunities, to refresh and add to their skills.

- A variety of reports summarise how profoundly the external environment to Ireland's small open economy is changing. They underline the urgency of assimilating digital and climate-responsible technologies, for the economy to be agile in responding to major shifts in global trade and its regulation, to prepare for ageing and new migratory pressures, and to seize the economic and social benefits of economic growth that is balanced and a labour market that is inclusive. They also stress that the types of jobs that will characterise the Irish economy, and how they are performed will profoundly change, not in 50 years' time but in the coming 10-15 years. They point out that the majority of those who will have to do these jobs are already in employment.

The ambitions of Ireland's *National Skills Strategy 2025* and of *Skills to Advance* have correctly drawn the necessary conclusions. Simply put, every person of working age, regardless of their current employment status or rung on the labour ladder, should come to regard, and practice, **upskilling as a normal part of being in employment in contemporary Ireland.**



Ireland's New Model of Economic Development

01.



1.1 A new economic script

The updated strategies of the several government departments that have major responsibilities for the Ireland's long-term economic and social development are characterised by new emphases and a broader set of core economic objectives in comparison to the strategies they have replaced.ⁱ Collectively, they are seeking a significant shift in the country's economic development model that will build on the success of the inward investment-driven model that worked so well in the conditions of the recent past but redress imbalances in the extent to which sectors, regions and a large section of the workforce have participated in the country's open and internationalised economy until now. They are intent on positioning it, and its enterprises and the national workforce, to meet the challenges – and seize the opportunities – being presented by a profoundly changing international order and European Union.

In the briefest terms, the principal medium term objectives now set for the Irish economy can be summarised as:

- to meet the challenges, and seize the opportunities, of **digitisation/AI/Robotics** and **decarbonising the economy**;
- to developing **stronger indigenous enterprises** while maintaining the viability and attractiveness of Ireland as a location for multinational companies;
- to foster **dynamic and resilient regions** outside Dublin and ensuring that people living in **rural areas and small towns** share in national economic success;
- to improve the **quality of jobs** and the **inclusiveness of Ireland's labour market**;
- to anticipate **demographic changes**, principally the ageing of the workforce itself and smaller net migration inflow;
- to live successfully *with* **Brexit**.

A major constraint in meeting each of these objectives is the **low productivity** of indigenous enterprise in general and of the country's large number of SMEs and micro-businesses in particular. A widening productivity gap between multinational and indigenous enterprise has been described as a major constraint on Ireland's continuing economic development (*OECD 2018 Ireland Economic Survey*) and overcoming it as the '**the next phase of our national development**' (*Future Jobs Ireland 2019*).ⁱⁱ

Most Irish firms have experienced declining productivity over the past decade. This has largely reflected the poor performance of local firms, with the large productivity gap between foreign-owned and local enterprises having widened. The resilience of the Irish economy hinges on unblocking the productivity potential of these local businesses.
(*OECD 2018:3*).

Unless and until, the indigenous SMEs and small businesses improve their productivity, attaining each of the objectives outlined above faces a strong head wind. In words borrowed from an IPPR report, Ireland's productivity problem 'does not lie with the best, but with the rest' and the dominant focus of economic policy must be 'the 'everyday economy' of ordinary firms where most people are employed and the problem of low productivity and low wages overwhelmingly lies.ⁱⁱⁱ The new economic script does not want, for example, that our low-paid sectors, such as retail and hospitality, should be between 20 to 57 per cent less productive on average than the same sectors in Belgium, France, Germany and the Netherlands.^{iv} It does want that 'opportunities for advancement that involves workplace learning and development, people who are educated and trained to meet the needs of industry' (*Enterprise 2025: xiii*). In achieving the medium-to long-term objectives now set for Ireland's economy, improving the skill sets of managers and of workers has a crucial role to play.

It has to be acknowledged that focusing on raising the productivity of businesses and their workforce in sectors such as construction, wholesale and retail, accommodation and hospitality, clerical work and social care ('working with the rest') does not have the challenge or allure that working alongside multinationals has for many actors – researchers, universities, regional development organisations, business schools, consultants, local authorities, TDs, and government ministers. And for good reasons.

The technologies, business strategies and working conditions that characterise most multinationals in Ireland are at the frontiers of global best practice. To be exposed to them as a sub-supplier, direct employee, consultant, official in the public sector, civil service, or local government politician, or in any other capacity, can be a major stimulus. They make substantial real contributions in corporation tax, direct and indirect employment, to regional development and in other ways. (The extent of their contributions to Ireland's economy can be exaggerated but also unfairly impugned.^v)

Yet 'past performance is no guarantee of future returns'. The IDA's new strategy for 2021-2024, details the multiple real contributions multinationals make but points to major new challenges and constraints their operations in Ireland now face, particularly those that are US with business models built on high-tech platforms. It is also aware of significant heterogeneity in the full body of its almost 1,600 clients (55% US, 23% European, 9% UK and 14% Rest of the World), with some operating product lines and business models for which the prospects are poor. It commits to partnering with all of them as they address these challenges, and to leverage their presence to help the country make faster progress towards its ambitious new goals for economic growth that is sustainable, smart and inclusive (*Driving Recovery and Sustainable Growth, 2021-2024*. IDA, March 2021).

Yet achieving higher productivity in the 'everyday economy' where the majority of Ireland's workforce is paid - in construction, wholesale and retail, accommodation and hospitality, clerical work and social care, etc. - would have a deeper and broader impact across the country in improving earnings and the quality of work than will be achieved by even the complete success of the new IDA Strategy. It is not exaggerating, therefore, to term this objective 'the next phase of our national development'. It will require a major refocussing, re-equipping and increased investment in the multiple state bodies and programmes that play a role in advising and supporting domestic businesses on how they can achieve higher productivity – on new market opportunities, the viability of new business models, the benchmarks for their sector being set by international practice, etc., and on what digitisation, new work practices and, above all, a more skilled workforce will contribute.

1.2 Taking the 'high road'

The OECD and ILO make a useful distinction between employers who pursue "high road" strategies and those who pursue "low road" strategies.^{viii} The former regard their employees' skill sets, and their ability and willingness to keep them up-to-date, as core to their business models and essential for their businesses to remain competitive and profitable in the medium-term and not just the long-run. Typically, they see more downsides than opportunities in high employee turnover. The latter regard the preparedness of employees to work at or near national minimum wages and be flexible in their working hours as integral to their business models and essential if they are to generate a profit in markets (usually local) where the competition is almost exclusively centred on price. Typically, they see more opportunities than disadvantages in employee turnover.

There are three main reasons why employers can regard 'the high road' as simply not viable for them, and even find the 'low road' a pejorative term for the only business model they see open to them. In the first place, they are making profits on the 'low road'. Demand is strong in their locations for products and services to be as low priced as possible; few local customers are willing to pay a premium for higher quality. To generate a profit while selling at low prices, employers source workers prepared to work for minimum wages and accept extreme flexibility in the hours playing they work. Generally, retailers who 'sell them cheap and pack them high' are widely supported in localities and regions where there are large concentrations of households on low incomes.

In second place, low road strategies can be self-reinforcing at the level of the firm. Individual employers, even if they see that gains could be made in the long-run by moving towards higher value-added activities and re-organising

work around higher skilled employees, have made choices in relation to physical capital and the composition of their workforce. Adopting a 'high road' strategy may be disruptive and expensive. Without denying its potential benefits, micro-enterprises and SMEs in particular may not know how to go about it for lack of the necessary management skills and HR expertise.

In third place, low road strategies can be self-reinforcing at the level of a local economy. Clusters of firms and households can develop in a region and reinforce each other as the former widen the range of goods and services that are low priced and based on paring labour costs, and the number of households in straitened circumstances widen the demand for cheapness before quality. The OECD terms this a low skilled equilibrium. It, in effect, traps firms and workers. If a firm offers higher quality at a higher, it faces dwindling customers; if an individual upskills, they are offered no improvement in pay and or conditions but must commute or move to another region to work in a better job.

Inherent disruptions for firms and individuals

Taking the high road entails being prepared to accept that some firms will close while others expand. The OECD notes that, over the period 2000-17, productivity fell in those sectors of Ireland's economy which had the lowest rates of new firm start-ups and firm closures. By contrast, sectors in which firm start-ups and closures had been at high levels recorded consistently strong productivity growth (OECD *Economic Survey of Ireland 2020: Figure 2*). In a similar vein, research into Britain's particularly weak productivity growth finds that differences in the rates of adoption of new technologies and new business models by firms explain a large part of it. It points to large gaps as having opened -and lasting longer- between firms that are 'early adopters' and those that are 'laggards', and finds that the dissemination of best practice from the former to the latter has slowed. The British research concludes that shielding weaker firms, in the long run, is no real protection for their workers or the regions where they are based.

Significant degrees of churn ('creative destruction') among firms and of transitions for workers, therefore, are entailed if new technologies are to be embraced and applied to the challenge of sustaining high employment and a high standard of living. This is openly acknowledged in Ireland's new generation of enterprise, skills and regional strategies. It is even a striking characteristic of them. They commit to the processes and investments in management training, tailored enterprise supports, workforce reskilling and a stronger social safety net that taking the high road requires and ensuring that transitions are just require.

In fact, ensuring that people in low-paid and insecure work have the opportunity to up-skill for better paid and more secure employment can be considered strategic on three levels:

- (i) for the individuals concerned, higher skills can enable them not only to earn at a higher level but to have more control over the hours they work, more autonomy in work, greater job security, a better relationship with their employer and less need to rely on social welfare supplementary supports;
- (ii) for firms, supporting their low skilled employees to upskill can reduce staff turnover, facilitate the adoption of new technologies and working arrangements, improve productivity and, in general, 'future proof' their businesses to remain resilient and profitable in very different and more volatile economic times;
- (iii) for the national economy, achieving higher skills at the entrance and lower rungs of the labour ladder improves its resilience and dynamism; for the State, it increases revenue from payroll taxes and reduces current, and more so, future social spending on several fronts.

A good example of the breadth of support that Ireland should take the 'high road' in maintaining the competitiveness of enterprise and the national economy is the following perspective of an Interdepartmental Group on the role of low skilled immigration in the Irish economy.

Irish labour market policy... continues to reflect the need for a responsive educational system, a focus on lifelong learning, addressing retention issues, and the need to maximise the potential of EEA nationals to fill skills and labour deficits... [In this context], it is important that 'the employment permit regime is not a substitute or pretext for avoiding the challenge of up-skilling our resident workforce... Where access to a low-skilled immigrant workforce is not managed, employers may be slower to invest in skills and technology to innovate and improve productivity.'^{viii}

The Group strongly advocates, and finds 'broad support' for, achieving a better balance in Ireland between, on the one hand, the continuing use of permits 'to ensure immediate labour shortages do not result in lost commercial opportunities or value-added to the economy' and, on the other hand, 'not prejudicing efforts... to develop industry-led models for improving the skills and productivity of the workforce'. As noted in other countries, a ready supply of workers from overseas willing to hold skilled jobs makes it easier for enterprises and sectors to postpone or slow down innovation and the investment in new processes that are needed to reduce their dependence on low skilled labour and to align with the overall direction of travel set for the national economy.

1.3 Revaluing so-called 'low skilled' jobs

There is a real sense, therefore, in which Ireland's new economic script for 2025 and afterwards intends that no job should any longer be described as '**low skilled**'. The jobs for which the greatest absolute numbers of job openings will continue to arise and for which many young people must, therefore, be prepared will be in retail, tourism, social care, etc. are, in fact, becoming 'surprisingly demanding' and increasingly involve working alongside new technologies, serving more diverse and informed customers, and will require high levels of socio-emotional skills.

When Accenture created six 'personas' or job types – on the basis that each will continue to be a major source of employment in the future *and* be impacted strongly by digitization – four of them are jobs currently considered as 'low skilled': clerical worker, supermarket cashier, aged care Worker, and truck driver. In each of the four, there is at least one sub-set ('family') of skills that its research concludes will have to be exercised at a high level. (Accenture, 2018, *New Skills Now: Inclusion in the Digital Economy*.)

The Covid19 Pandemic has created a further context and opportunity to underline the importance of, and deliver on, this new emphasis on job quality and skills in the 'ordinary economy'.

In the first place, it has deepened public appreciation of just which jobs are 'essential'. Front line health workers first came into view. Starting within hospitals themselves, it quickly extended from ICU staff and lab technicians to embrace hospital porters, cleaners, food caterers and others. It then moved out to encompass ambulance crew, paramedics, staff in residential care comes, and homecare providers. Finally, in a third major extension, the services essential to enabling a population 'stay at home' brought into focus a much wider swathe of jobs frequently regarded as ordinary and relatively low skilled – shelf-stackers and check-out assistants in food retail, warehouse workers, food workers and delivery rivers, public transport drivers, childcare workers, waste collectors, postal workers, and the list is still not complete. In several countries, there is a vivid awareness that an examination is long overdue of the employment terms and conditions under which many of these essential workers had to continue working during the pandemic. At the same time, there is also an awareness that the lockdowns imposed to contain the pandemic have had a disproportionate impact on another – even larger - set of ordinary and relatively low skilled jobs, putting out of employment large numbers who worked in hospitality, non-food retailing, leisure and entertainment, etc. These two dimensions to the crisis, the occupations most

needed during it and the occupations in which most jobs were lost because of it, have highlighted the particular vulnerability of countries that entered it with extensive labour market inequalities and polarisation. The USA, where 60% of workers are in hourly jobs or self-employed, and many are without health or unemployment protection, is a poignant example. But in Europe, too, attention has been drawn, and concern deepened, over the extent of the labour markets inequalities that have been tolerated to date.

In France 'the coronavirus pandemic... has highlighted how much of daily life and the real economy depends on the lowest-paid workers, whether they are nurses, shop assistants, truck drivers, farm labourers or refuse collectors'. In Britain, 'doctors and nurses have rightly received an outpouring of national gratitude, but they are not the only ones on the front line. The list of "key workers" also includes those who work in nurseries, care homes, food factories, warehouses and delivery drivers. These are some of the worst paid and most insecure jobs in the British economy... It is time to make amends to the low-paid essential workers'.

Though described as "unskilled", residential care workers and home-carers 'help people in their own homes to get out of bed or take showers, and look after those whose minds are blurred by dementia' are, in fact, in 'jobs that require patience, stamina and empathy'.^{ix}

'The pandemic has caused us to redefine frontline or essential workers and to reconsider the value we place on their work and the reward they should get for that work. Traditionally, we thought frontline or essential workers [are] nurses, doctors, Gardaí or firemen. Generally, people working in the public service with relatively well paid, secure and pensionable jobs. Now we think also of retail workers, drivers, security guards, transport workers and cleaners. One of the legacies of the pandemic must be a more inclusive society that rewards work and enterprise better. (*The Tánaiste, 15/04/2012*).

The exceptional role played by Ireland's 58,200 residential and home carers, largely female and part-timers, is particularly illustrative here. As in other countries, the risks to which the Pandemic exposed them, the late recognition of this and delayed provision of PPE and testing by public health authorities, their low pay and poor employment contracts, and the extent to which their loyalty and commitment to their vulnerable charges cushioned some of the adverse consequences, came relatively late to government attention. Even before the crisis, many people with an elderly relative being cared for was aware of the significant human qualities that attract and keep people in these demanding roles. What more may become aware of is the frequency with which this has not been recognised in their status, pay and employment

contracts (for example, the 160 carers who continued their work were living in direct provision).

For too long, care-givers, who are dis-proportionately women, and women of colour, and immigrants, have been unseen, underpaid and undervalued.

President Joe Biden, USA, 31/03/21.

“

1.4 Supportive wage policies

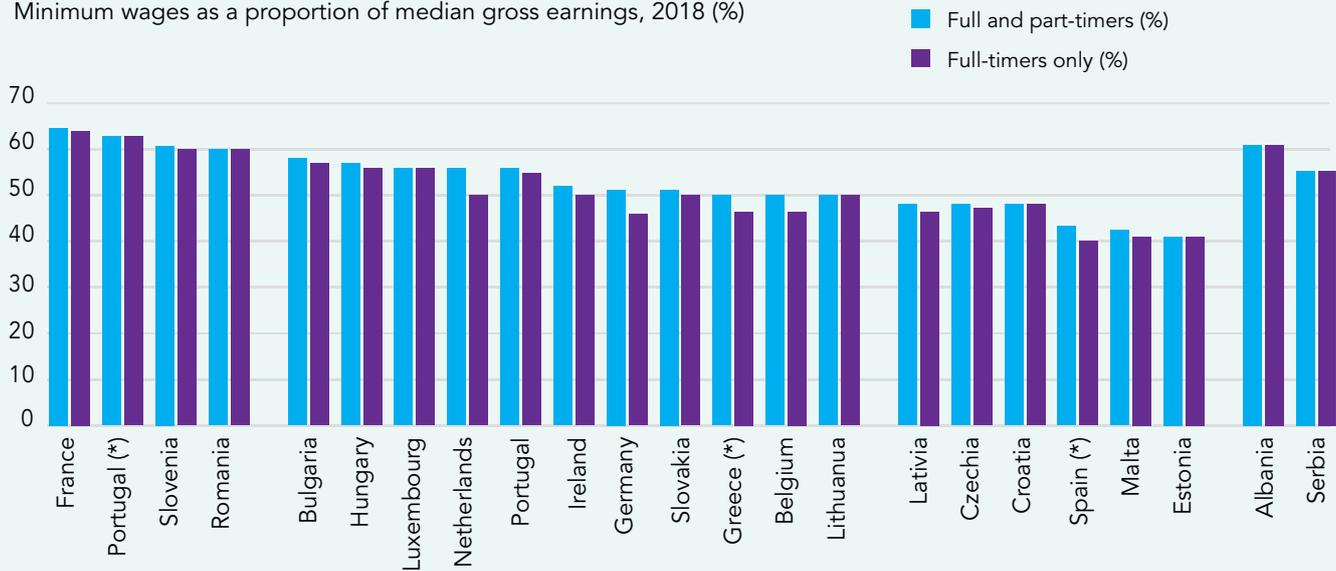
Ensuring recognition, fair remuneration and decent terms and conditions of employment on the lower rungs of the labour ladder is not, in the first place, a challenge to skills supply. Even when employers state they have difficulties sourcing skills, the real problem can lie elsewhere. 'Between a half and two thirds of EU firms with difficulties finding skilled workers face the problem for reasons other than lack of skills: unattractive job offers (unwillingness or inability to offer a competitive market wage; bad job quality; precarious contracts); and lack of employer commitment to talent management.'^x The status, pay and security of low skilled jobs is the responsibility, in the first place, of employer-employee bodies to use voluntary agreements and, in second place, of national labour market authorities to use mandatory measures, to set socially and economically sound floors to the pay, working conditions and ultimately, the status of the most ordinary employments.

In this context, a brief reflection on Ireland's national minimum wage (NMW) in a comparative European perspective is useful.

- In nominal monetary terms, Ireland's NMW is the **second** highest of the 21 EU Member States (2021 data) that are regularly compared by Eurostat. It is bettered only by Luxembourg (2021 data) and multiples of what, for example, Bulgarian or Polish workers on their national minima receive (approximately 5 times and 3 times higher respectively).
- Adjusted for the different costs of living in the 21 countries and, thus, expressed in common purchasing power standards, it falls to **sixth** place, overhauled by Germany, France, the Netherlands and Belgium where living costs are lower.
- However, when minimum wages are expressed as percentage of each country's median earning – thus, relative to what others in employment are typically earning – Ireland's NMW falls to **tenth** place (Chart 1).

CHART 1. MINIMUM WAGES IN THEIR NATIONAL LABOUR MARKET CONTEXT.

Minimum wages as a proportion of median gross earnings, 2018 (%)



Median earnings refer to the level of earnings, which divides the employees into two equal groups: half earn less than the median and half earn more. Data refer to the gross monthly earnings covering the wages and salaries earned by full-time and part-time employees in the reference month (October 2018 in most countries) before any tax and social security contributions are deducted. (1) The levels mentioned in the table are calculated excluding 13th and 14th month to be consistent with the monthly earnings based on SES 2018.

Source: Eurostat, Structure of Earnings Survey 2018 and Minimum wages; special calculation made for the purpose of this publication; data are not available in Eurostat's online database.

The shift in Ireland's ranking, according to the metric chosen, from second to tenth out of 21 is particularly instructive. Arguably, it is pay relative to what others elsewhere in the same country are earning that most 'says something' about how a particular job is valued and the likely status those doing that job enjoy.

In Ireland, as in other countries, a body of opinion is growing that, over and above the statutory minimum employers must pay and employees must receive, there should be public encouragement and recognition of employers who voluntarily undertake to pay a higher Living Wage, i.e., a wage rate that neutral research establishes as what is required if a worker is to be able to afford a minimum essential standard of living. The 'sell' to employers is based on evidence that paying the Living Wage will help them reduce staff turnover, attract a higher calibre of recruit, is popular with customers and, thus overall, positive for productivity and the bottom line. A Living Wage in Ireland is currently estimated to be 22% above the NMW (€12.30 an hour as against €10.10) and a set of employers have embraced the concept and practice.

Deep concerns have to be acknowledged, however, and more businesses persuaded of the viability of business models that pay higher wages and are more profitable. In a minority statement, three members of the Low Pay Commission even disagreed with its recommendation to raise the NMW by 30 cents or 3%. They argued it will have an 'adverse effect

on small to medium sized enterprises, especially those in the regions and border counties', most of whom have 'no recourse to increased productivity or cost off-setting measures which may be available to other enterprises'. Across the economy, they point out, the measure 'may... hasten the move to the automation or outsourcing internationally of lower margin product or services, leading to the exclusion of certain groups from employment'.

In this context, the commitment in the Programme of Government to "progress to a living wage over [its] lifetime" and its formal request of the Low Pay Commission (April 2021) to report on how to do so is a major and important development: 'One of the legacies of the pandemic must be a more inclusive society that rewards work and enterprise better. That means better terms and conditions for lower paid workers. Moving to a living wage is an important part of this' (*The Tánaiste, 15 April 2021*).

At a time when it is sectors in which low pay is particularly prevalent and the businesses and workers in them exceptionally hard-hit by lockdown (Table 1), it is also a brave decision. Following through on it will require a shared understanding between employers, unions and government on how these sectors can 'build back by building better' and on the necessary supports and incentives that need to be provided to employers and workers to ensure the just transformation of their sectors.

TABLE 1. RECIPIENTS OF PANDEMIC UNEMPLOYMENT PAYMENT BY SECTOR OF PREVIOUS EMPLOYMENT

Sector	April 21st, 2020		March 9th, 2021	
	Persons	%	Persons	%
Accommodation & Food Services	126,000	22%	109,754	24%
Wholesale & Retail Trade	88,400	15%	74,153	16%
Admin. & Support Services	44,300	8%	40,759	9%
Nationally	584,000	100%	464,850	100%

Source: DEASP

1.5 Nudging Ireland's Welfare State forward: a Pandemic prompt

The Pandemic has provided a strong reminder of the importance of a well-resourced welfare state (considered in the broad sense to include publicly funded services that underpin people's ability to adapt to on-going changes in employment and the world of work during their working lives as well as income support). A large literature documents and discusses the relative merits of keeping taxation low and targeting services and payments on the most needy, or setting taxation higher to fund access to public services and income subsidies by a broad swathe of the population. At one extreme, taxes are low, welfare states 'lean', its services and income support mean-tested and rarely, if at all, used by the better-off who pay for private provision (variously the 'Boston' or 'Anglo-Saxon' model). At the other extreme, taxes are high, welfare states 'generous' and broad swathes of the population avail of publicly subsidised supports of one form or another (the 'Berlin' or 'Continental' model). Ireland has its own unique balance but unlike in many other areas guiding strategies to guide the evolution of its welfare state seldom appear (NESC, 2005, *The Developmental Welfare State* a prominent exception).

The Pandemic can be regarded in two key instances as prompting a renewed interest in the general direction Ireland's welfare state needs to take if everyone in society is to sustain their ability to participate and contribute as full members in a near future characterised by constant change in the labour market and ageing. In first place, the capabilities, capacity and reach of public health services were exposed

and tested; in second place, the efficiency and effectiveness of social welfare transfers.

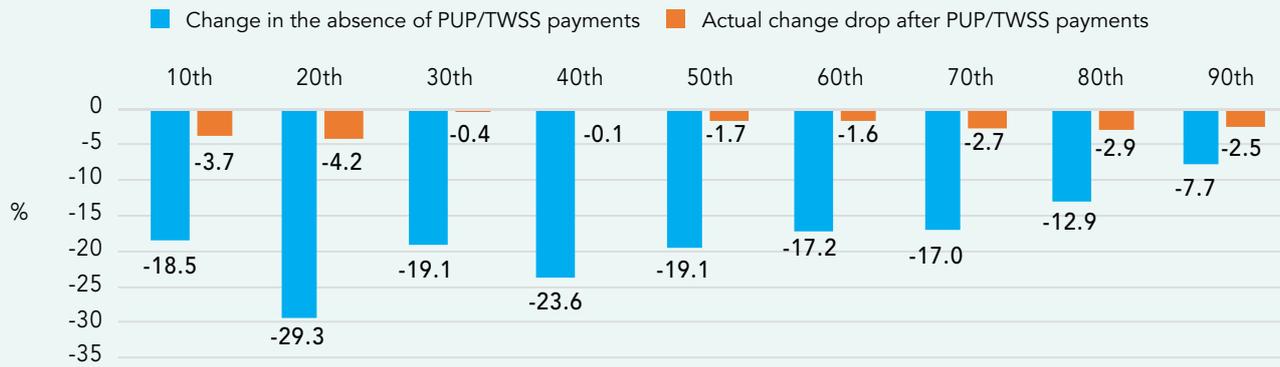
Generally, as in many other countries, people have been given a 'crash course' in the structure, functioning and capabilities of Ireland's public health system, including of parts that had a much lower profile than public hospitals and general practitioner such as how it monitors public health, anticipates and seeks to avoid threats, and deals with outbreaks of disease when they occur. It is fair to say that, as awareness of the seriousness, complexity and unique (for the generation of health professionals involved) nature of the Covid threat has emerged so has appreciation of the need for and value of a public health system that is fully resourced to have the capacity and workforce to deal effectively with more frequent public health challenges that are now considered inevitable.

In addition to the Department of Health and HSE, the Department of Employment Affairs and Social Protection (DEASP) should be acknowledged as playing a major role by the speed and effectiveness with which it extended income support to 25% of the workforce.

Joint research by the CSO and CB shows the major impact the Pandemic had on household incomes, from the poorest to the richest, in 2020. Put into ten groups ranging from the poorest to the richest in 2019 before the Pandemic broke, it emerges that no group escaped. Each experienced at least some decline but the falls were particularly steep in the lower middle of the income distribution, the 2nd to the 5th groups, where household incomes fell by between 20% and 30%, and not at the extremes where falls of 13% (poorest) and 8% (richest) occurred (these are the blue bars in Chart 2). This confirms that households relying on the earnings in relatively ordinary jobs were impacted the most. In this context, it should be recalled that when the Pandemic Unemployment Payment was paid at the flat rate of €340 a week, many were surprised (and some indignant) that this was more than some recipients had been earning. That most of those put out of work were, at the best, only modest earnings is one of the reasons why receipts from Income Tax in 2020 were more resilient than expected, i.e., high earners survived the impact of lockdown better.

The second part of the story the CSO-CB study tells is even more interesting. The State did not standby but made payments of some €6bn through the Pandemic Unemployment Payment and €4bn through the Temporary Wage Subsidy & Employment Wage Subsidy Schemes during 2020 to cushion the labour market impact of the Pandemic. This response by the welfare state made the largest difference where it was most needed. In effect, it cancelled out the entire fall in household income in the 4th group, rescued 98% of those in the 3rd group and 86% of those in the 2nd group (the story in the shift to the orange bars in the Chart).

CHART 2. HOUSEHOLD INCOMES AND THE COVID PANDEMIC: THE FIRST LOCKDOWN (Q2 2020)



Percentiles: before and after Covid supports.

Source: CSO (2021) Impact of COVID-19 on the Debt Sustainability of Irish Households Q3 2020.

It is also noteworthy, however, that the welfare state's prompt action also benefited 77% and 67% respectively of those in the top two groups. (It is likely that this will have contributed to household savings increasing from €14bn in 2019 to €28bn in 2020 and the aggregate savings rate of Irish households from 12% to 23% of their disposable income).

Overall, this is strong evidence that the State responded quickly and effectively to the income crisis the first lockdown inflicted on households. Some inefficiency did creep in to what has been for a long time a highly means-tested welfare state by international standards, as money was also received by the wealthiest households. However, in the long-run, the realisation that, *in extremis*, Ireland's welfare state was there for everyone and responded speedily and effectively to what was a massive challenge, should be used to deepen public understanding and strengthen its support for aligning its welfare state more with economic development and skills strategies that are targeting the 'high road'. In support, Ireland's welfare state needs to become decidedly more social democratic and less reliant on means-testing, more clearly like 'Berlin rather than Boston'.



Major Challenges in Ireland's Labour Market

02.



Several major achievements make it easy to assume that the productivity of most people at work in Ireland is high and that a typical workplace in its economy features a high skilled person utilising their skills. The country punches far above its weight in the scale and knowledge-intensity of the goods and services it exports; its workers are ranked amongst the most productive in the world; it has one of the highest proportion of 25-34 year olds with a tertiary educational attainment in the EU; and the occupational group, 'Managers, Professionals & Associate Professionals', accounts for over 41% of total employment, with 78% of those in this group being educated to degree level or higher.

But the reality of Ireland's labour market for a large number of those who work is wholly different to the picture that is typically sketched to attract inward investment, high skilled workers, international students and migrant workers to fill job vacancies for which few are applying.

2.1 The prevalence of low earnings

In a large number of jobs in Ireland people are earning at low levels:

- 22.4% of employees in Ireland are on **low pay** (earning less than two thirds of the median hourly wage), and 8.5% on **very low pay** (earning the National Minimum Wage or less). In absolute terms at the end of 2018 this meant 24,500 employees were earning less than the NMW and a further 112,700 earning at its level but no more.^{xi}
- Very low pay is particularly associated with being young - 27.4% of all employees aged 20-24 earn at this level. It is also more associated with being from outside the EU/EEA (10.6% of those on very low pay though 5.8% of all employees) and from Eastern Europe (9.3% of those earning at this level though 6.4% of all employees).
- The incidence of low pay in Ireland is well above the EU average, and its incidence among tertiary educated employees is the bloc's highest (Table 2).
- The large majority of Ireland's poorly paid workers work in **three labour intensive sectors** - Accommodation & Food Services, Wholesale & Retail, and Administration & Support Services. These three sectors accounted for **26 per cent of total employment** on the eve of the pandemic (Table 3), had hourly earnings well below the national average, significant numbers earning the NMW or less, and the majority of their employees engaged in performing what is frequently described as low-skilled work.

TABLE 2. LOW WAGE EARNERS IN 2018: SELECTED COUNTRIES

	All employees	Tertiary educated employees
	%	%
Ireland	19.8	13.0
Euro area (19)	15.0	4.7
United Kingdom	17.0	7.9
Belgium	13.7	0.8
Denmark	8.7	2.7
Finland	5.0	1.6
Sweden	3.6	1.2
Greece	19.6	7.4
Spain	14.3	4.8
Portugal	3.9	0.9
Italy	8.5	2.8
France	8.6	4.0
Germany	20.7	5.7
Netherlands	18.2	4.3
Austria	14.8	5.3
Poland	21.9	7.2

Source: Eurostat [earn_ses_pub1i]. Last updated by them on 25/01/21

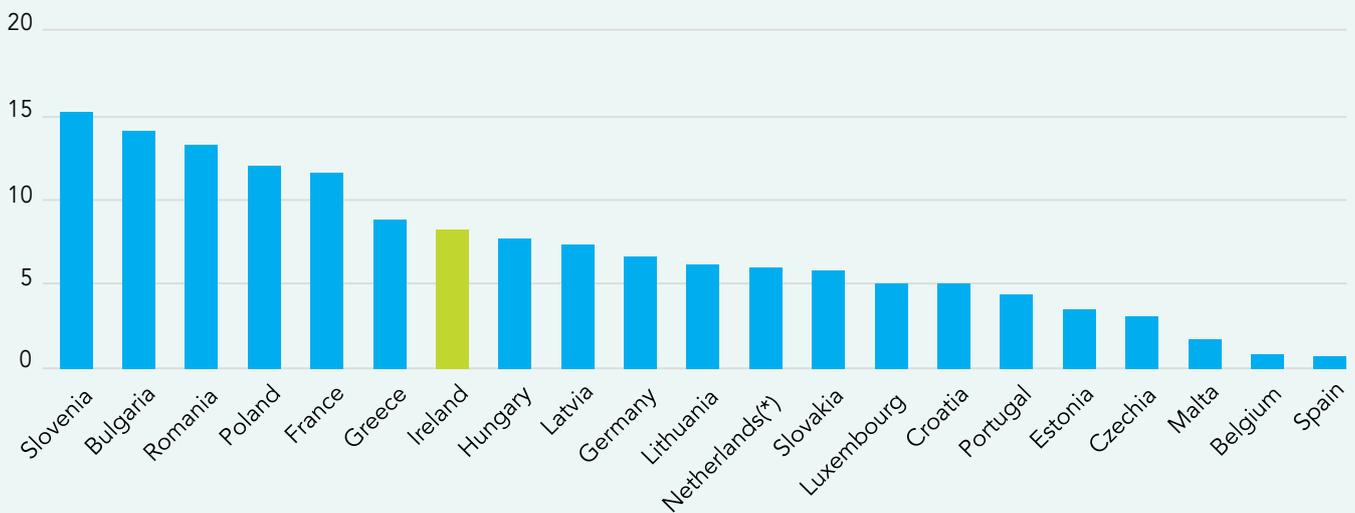
TABLE 3. EMPLOYMENT, EARNINGS AND NFQ LEVEL: SELECTED INDUSTRIAL SECTORS, 2019

Sector	Persons (Q4 2019)	%	Avg. Hourly (€, Q1 2019)	Earning NMW or less (2018)	% NFQ Level 5 or below
Accommodation & Food Services	179,200	8%	13.31	29.8%	60%
Wholesale & Retail Trade	310,200	13%	19.77	16.2%	57%
Admin. & Support Services	112,100	5%	19.20	12.2%	55%
All Sectors	2,361,200	100%	23.93	8.5%	41%

Sources: CSO LFS Q4 2019; Low Pay Commission (2019); Skills to Advance, Background Paper

CHART 3. VERY LOW PAY IN AN EU COMPARATIVE CONTEXT

Proportion of employees earning less than 105% of the minimum wage, October 2018 (%)



(*) In October 2018 the national minimum wage applies to employees aged 22 years or older.

Source: Eurostat, Structure of Earnings Survey 2018 and Minimum Wages, special calculation made for purpose of this publication, data are not available in Eurostat's online database.

Comparison across EU countries shows a wide variation in the extent to which the proportions of their employees earn at or below their respective NMWs. Two thirds of the EU member states have lower proportions than Ireland.

(It is to be noted in passing that the relative success of a country in keeping the extent of poorly paid work low cannot simply be deduced from the its level of economic development. In Chart 3, for example, Spain outperforms France, Croatia outperforms Ireland, etc. The significance of this will be returned to in Section 14.1 below).

2.2 Poor skills matching

One issue on which a variety of international comparative studies seem to agree is that Ireland is a particularly poor performer in matching the skills employees have to the jobs they are doing.

- Ireland has the single highest level of overall qualifications mismatch in the EU, with 30% of those in employment classified as **underqualified** and 15% **overqualified** (Table 4).
- In assessing 'how effectively skills are used' in the workplace, the OECD places Ireland in the bottom 20 to 40% of 37 countries.^{xii}
- Poor skills matching combine with Ireland's low participation rate of 25-64 year olds in FET and weak vocational emphasis in upper secondary education, to give Ireland a below average score on Cedefop's Skills Index and be assessed as a '**low achiever**'.^{xiii}

- A low proportion of workplaces in Ireland are classified as high-performance by international standards -just one-fifth (21%), the 9th lowest of 29 OECD countries, below the average of 25% and far behind the best practice leader (Denmark at 42%).^{xiv}
- The proportion of low-skilled jobs held by people with a tertiary education is high in Ireland, and consistently more than 11 percentage points above the EU-15 average (Table 5).
- The proportion of workers who report that they have capabilities in literacy and numeracy that are not needed in their workplaces is high by international standards.^{xv}
- The participation rate in education and training of employed people in Ireland is 12.7% (2019 data). This is marginally above the average for the Euro area (12.2%) but below the EU target for 2020 of 15% and far behind best practice as set by the Nordic countries (Sweden, Finland and Denmark average 30%).^{xvi}
- In Ireland, as elsewhere, the higher a person's educational attainment, the more likely it is they will participate in LLL. Of all 25-64 year olds who participated in LLL in Ireland in Q4 2018, more than two thirds (69%) held third level qualifications and only 6% lower secondary education or less as their highest level of educational attainment. Of the employed who participated in LLL, 60% were from the top three occupational group (Managers, Professionals, Associate Professionals) and only 14% from the bottom three (Sales, Operatives, Elementary Occupations).

TABLE 4. INDICATORS OF THE EFFECTIVENESS OF SKILLS USE, 2016

Country	Field of Study Mismatch	Under-Qualification	Over-Qualification	Qualification Mismatch
Austria	26.6	16.6	19.5	36.0
Belgium	28.0	23.8	10.6	34.5
Czech Republic	31.1	8.4	8.7	17.1
Denmark	30.8	20.0	14.0	34.0
Estonia	35.5	23.8	14.1	38.0
Finland	23.7	20.3	7.8	28.2
France	33.4	23.5	10.6	34.2
Greece	39.4	20.0	23.7	43.7
Hungary	30.7	13.6	16.5	30.1
Ireland	38.7	29.5	14.6	44.0
Italy	36.5	20.0	18.2	38.2
Latvia	34.7	17.6	12.1	29.7
Lithuania	34.9	13.6	21.2	34.9
Netherlands	33.2	25.1	12.6	37.7
Norway	27.7	22.7	12.3	35.0
Poland	..	13.6	9.2	22.8
Portugal	35.9	18.7	23.6	42.4
Slovak Republic	37.0	7.6	12.3	20.0
Slovenia	..	12.6	12.0	24.7
Spain	33.7	21.2	20.0	41.2
Sweden	35.4	22.3	14.6	37.0
Switzerland	23.8	24.7	11.3	36.0
United Kingdom	38.0	27.7	13.5	41.0
EU	32.8	18.7	14.7	33.5

Source: OECD online data base. Extracted 11/04/21. Last update by them in 2018.

Definitions:

Field of study mismatch: 'individuals are considered mismatched when they do not work in the occupation considered to be a good fit for their field of study'

Under-qualification: 'where the highest level of qualification achieved by an individual worker in an occupation is below the modal level for all workers in that occupation'

Over-qualification: 'where the highest level of qualification achieved by an individual worker in an occupation is above the modal level for all workers in that occupation'

TABLE 5. EMPLOYMENT BY OCCUPATION AND EDUCATIONAL ATTAINMENT, 2009-2019: IRELAND AND EU 15, SELECTED OCCUPATIONS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tertiary educated as % of all employed											
EU 15	29%	30%	31%	32%	33%	34%	35%	35%	36%	36%	37%
Ireland	40%	43%	44%	46%	47%	46%	47%	47%	48%	48%	48%
difference	11%	12%	13%	14%	13%	12%	12%	12%	12%	12%	11%
Tertiary educated as % of all service and sales workers											
EU 15	12%	13%	13%	14%	15%	16%	16%	16%	17%	17%	17%
Ireland	23%	26%	26%	27%	28%	28%	28%	27%	28%	27%	27%
difference	11%	13%	13%	13%	13%	12%	12%	11%	11%	10%	10%
Tertiary educated as % of all elementary occupations											
EU 15	6%	6%	6%	6%	6%	7%	7%	7%	8%	8%	8%
Ireland	11%	11%	13%	15%	15%	13%	13%	14%	16%	18%	16%
difference	5%	5%	7%	8%	9%	7%	6%	6%	8%	10%	8%

Source: Eurostat [lfsa_egised], updated by them on 25.11.2020.

SOLAS Spring Skills Bulletin 2021. Skills Mismatch in Ireland's Labour Market.

In Q1 2020, there were 212,000 people employed as clerical workers in Ireland, some 9% of total employment.

Their activities and places of work are hugely diverse and spread across almost all sectors of the economy, working as office secretaries and keyboard operators, receptionists and bank tellers, recording stocks and flows, filing and copying, conducting interviews for survey, etc.

The majority are female (74%), work full-time (66%), and Irish nationals (87%). About 50% are aged 35-54 and approximately 54,000 aged 15-34.

They are also well educated: **46% of those working as clerical workers are third level graduates and overqualified.** SOLAS notes, 'the difference between matched and over-qualified clerical support workers could be as much as four years' additional education'.

The incidence of over-qualification is higher among those working full-time rather than part-time (51% vs 34%), among those aged 35-54 than 15-34 (52% vs 48%), and among those working in the Financial and Professional/IT sectors than Accommodation/Wholesale sectors (60% vs 30%).

Note: Clerical workers are 'matched' to their occupation if they are at ISED Levels 2-4, therefore overqualified if at Level 5 or higher. This is standard international practice. Analysis by SOLAS of over 45,000 vacancies for clerical support workers advertised in Ireland in 2019 confirms it. Employers were asking for Upper Secondary/FET applicants and recruited HE graduates simply because so many applied.

2.3 Mediocre job quality

A question of importance, but difficult to answer, is the extent to which the extent of low productivity and poorly paid work in Ireland's labour market outlined above is a reasonably good achievement or a bad one, in an international comparative context an answer, however, can be attempted.^{xvii}

In 2014, the OECD introduced a new Job Quality Framework for assessing labour market performances across member states in a more holistic way. It wanted to base its assessments on more than the rate of job creation and having low numbers unable to find work, and added indicators of the degree of inequality in earnings, of the quality of peoples' jobs, and of the extent to which national labour markets are inclusive and not locking out vulnerable groups.^{xviii} It has now applied this framework twice, in 2014 on data from 2005-2007 and in 2019 on data from 2015-2017. In 2014, it concluded Ireland was a 'moderate' performer overall, as were 14 other countries, and behind a group of 10 high performers that included the Nordics, Germany and the Netherlands.^{xix} When the exercise was repeated in 2019, Ireland's relative performance had slipped, largely because its labour market was still scarred by legacies of the 2008-2012 banking and fiscal crises.^{xx}

However, and of most interest to this paper, the OECD took the extra step in 2019 of adjusting each member state's performance for their overall level of economic development. This was to follow through on a key lesson from the 2014 exercise. It had revealed that a high level of development generally served as 'a wind in the sail' improving all indicators, yet some countries seemed to 'play their hand' particularly well (and some badly) and achieved more (or less) than their overall level of economic development otherwise suggested. It was clear that country-specific factors such as a country's own 'welfare state traditions', its traditions and practices governing employer-worker relationships, the reach of its employment legislation and effectiveness of its enforcement, etc., were having an influence that was independent and separate from the strength and sophistication of national economies.

In 2019, the OECD incorporated an exercise that distinguished between countries' actual scores on each indicator and scores considered typical of their overall level of economic development. This concluded that four of the nine indicators in Ireland were below what the country's otherwise high level of economic development led the research to expect.^{xxi} This was tantamount to saying that Ireland, due credit given it for strong economic achievements, *could be playing its hand significantly better*. It leads on to the question which this report argues it is now timely to give much greater attention in Ireland, viz., what are the policy areas Ireland needs to concentrate on in order to 'translate' its high level of economic performance into a stronger labour market performance (holistically considered).

A part of the answer, and specific example of where Ireland may be playing a strong hand relatively poorly was implicit in Chart 3 above, which ranks EU countries by the incidence of very low pay in their labour markets. Table 6 probes into the contexts and factors that lie behind the wide differences the Chart shows. The 8.5% of employees estimated to be earning less than 105% of the NMW in Ireland in 2018 is close to the levels estimated for Greece and Hungary. Macro-level indicators of those two countries level of economic development, however, suggest that Ireland has the much stronger economy. (The Table includes the indicators of GDP per capita and GNI per capita in PPS. The latter ensures Ireland is not flattered by how US multinationals boost the value they attribute to their Irish operations and, thus, Ireland's GDP). Similarly, Ireland's unemployment rate of 5.8% in 2018 was lower than in Spain and Portugal, yet each of the latter had lower numbers being paid at or below their NMWs.

TABLE 6. WORKERS AT OR BELOW THEIR THE NMW AND LEVEL OF NATIONAL ECONOMIC DEVELOPMENT

Country	Level of Economic Development		Unemployment Rate, 2018 (%)	% of employees at or below the NMW
	GDP per capita in market prices, 2018 (EU average =100)	GNI per capita in PPS, 2018 (€, annual)		
EU	100	31,080	6.8	
Ireland	222.5	46,331	5.8	8.5%
Spain	85.0	29,048	15.3	0.8%
Portugal	66.0	24,675	7.1	4.8%
Greece	55.4	21,032	19.3	9.5%
Hungary	46.0	22,698	3.7	7.7%

Eurostat on-line database: extracted on 29/03/21

It is clear that factors other than a strong economy and low unemployment can play equally, or even more, important roles in combating very low pay. In the literature, these factors include institutional wage setting, the role of trade unions, the presence and strength of a national commitment to raising low pay can and, of course, measures that are effective in raising the skills levels and, thus, earning power of those who are currently low paid.

Advancing Ireland's Labour Market

03.



3.1 Analysis and ways forward

A good part of what has been reviewed above is well known and already a focus of policy or under discussion in Ireland, and some of it is not. Overall, an unflattering picture of Ireland's labour market emerges that sits somewhat awkwardly with the depiction of an island of university educated 'young Europeans' seeking challenging careers (also true but only a part of a wider picture). An important context to the full picture is that **all** advanced countries have been struggling to contain labour market inequalities that a variety of factors are causing to widen.

Multilateral bodies (EU, OECD, ILO, World Bank) have been drawing attention for some time to:

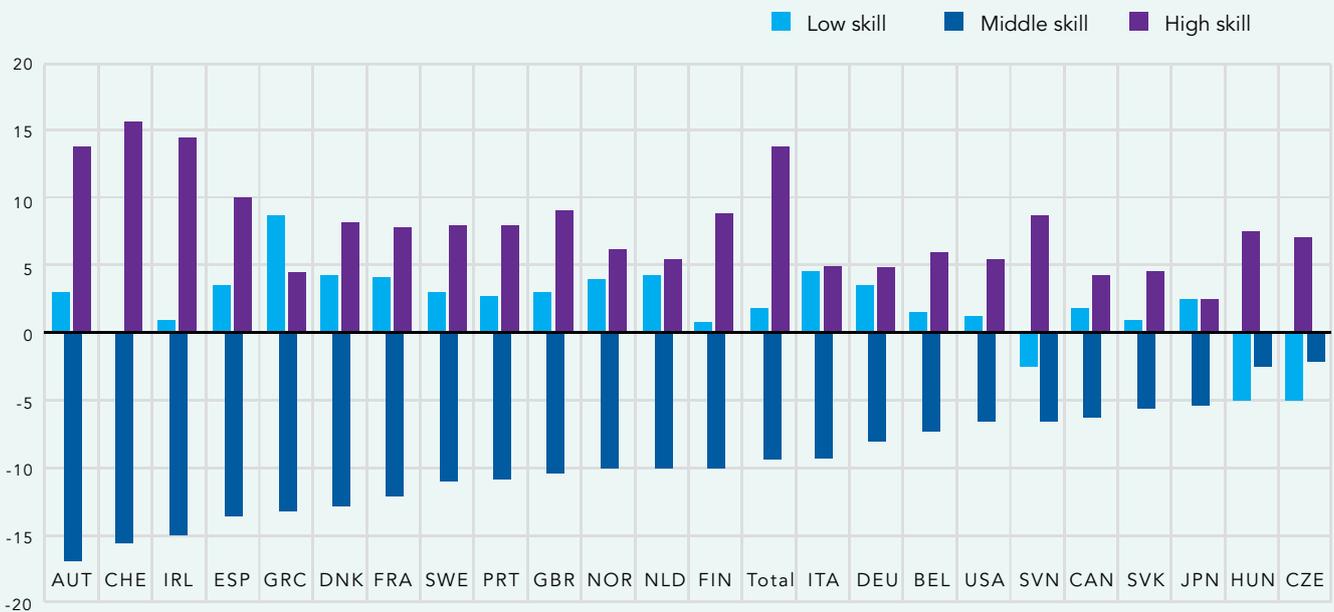
- how national labour markets are being 'hollowed out' as technological and social changes combine to create more high-skill and low-skill jobs, while middle-skill jobs contract (Chart 1);
- widening inequality in market incomes;
- increasing migratory pressures;
- the overwhelming superiority of AI/robotics over humans in performing routine manual and routine cognitive tasks;
- the development of 'gig economies' and the risks they pose to the working conditions of large numbers of service workers.

Ireland has been registering the impacts of each of these trends strongly, which is what the indicators in this section, in fact, confirm. A striking Chart produced by the OECD in 2019 depicts the 'hollowing out' of Ireland's labour market as one of the most extreme it could identify (Chart 4). Between 1995 and 2015, Ireland recorded the **second largest expansion** in the employment share of high-skill occupations in its economy and, at the same time, the **third largest contraction** in the share of middle-skill occupations, while there was a small growth in share of low-skill ones. It is on this exceptionally hollowed out economy that the Pandemic has shone a harsh light.

Across the OECD, government policies, employer bodies, trade unions, professional associations, and education and training bodies are mediating the impacts of the same trends in highly country-specific ways, softening them, or failing to do so, through their skills policies, degree of voluntary employer-union cooperation and its effectiveness, wage-setting arrangements, employment legalisation and its enforcement, and the design and coverage of their welfare states. This is the wider context within which this review has been carried out.

CHART 4. JOBS HAVE BECOME MORE POLARISED

Changes in employment shares by skill content of occupation (percentage points), 1995-2015



Source: OECD (2019), Fig. 2.5

Note: High-skill occupations include jobs classified under the ISCO-88 major groups 1, 2, and 3: i.e., legislators, senior officials, and managers (group 1), professionals (group 2), and technicians and associate professionals (group 3). Middle-skill occupations include jobs classified under the ISCO-88 major groups 4, 7, and 8: i.e. clerks (group 4), craft and related trades workers (group 7), and plant and machine operators and assemblers (group 8). Low-skill occupations include jobs classified under the ISCO-88 major groups 5 and 9: i.e., workers and shop and market sales workers (group 5), and elementary occupations (group 9).

3.2 Strengthening policies for upskilling and life-long learning

It is clear that the sustained success of Ireland's open economy and inward investment strategy has not enabled its labour market escape a significant degree of polarisation. Threats to labour market cohesion that other advanced countries are struggling to address, some with much more success than others, are in evidence in Ireland too. International comparative studies of job quality and skills conclude that Ireland, in fact, is far from international best practice in how it is addressing them.

Core indicators point to an overall profile of job quality that is disappointingly out of sync with the economy's exceptional success in exporting high-value, knowledge-intensive products and services. Ireland, in fact, may need to guard against its own type of 'exceptionalism'. It is tempting to assume that core economic achievements make international warnings about the cohesion and inclusiveness of national labour markets of only limited applicability here. After all, continuing inflows of high quality inward investment, the large scale on which knowledge-intensive goods and services are being exported, the rapid expansion of high-skilled employment, etc., are all evidence that skills at a high level are available and being applied. They draw attention away from instances where the opposite is the case.

Yet there is a substantial reservoir of low productivity employment in Ireland, and its presence should be of little surprise to Irish audiences. To live in Ireland is to be aware that the vast majority in employment do not work directly or indirectly for the knowledge-intensive, high value-added exporting enterprises for which its economy is known on the international stage. They work in indigenous companies that serve the home market or supply locally traded services, and in SMEs and micro-businesses rather than large companies. For example, the Wholesale & Retail sector and the Human Health and Social Work sector each employ more than are directly employed by multinationals' operations in Ireland.

A weight of international reports emphasise the importance of access to quality training in helping workers to transition from jobs with a bleak future to those with better prospects, some to remain with their current employer by assuming new tasks and responsibilities, school completers not advancing to higher education to nevertheless set out on good career paths, migrants to experience upward job mobility, and ethnic minority members to improve the quality of their jobs.

It is fair to say that each of these challenges is now acknowledged and a stated objective of Irish policy. As Section One argued, a new generation of strategies for Ireland's long-term social and economic development acknowledges in a much stronger way than before the need to reduce the wide disparities in employment standards that currently exist across sectors and occupations and the raise the productivity and quality of employment in the domestic the economy. This will not be easy.

While several aspects of Ireland's education system, notably the performance of its schools and its rapid expansion of higher education, have regularly been ranked highly in international comparative studies,^{xxii} the same is far from true of its performance in ensuring that people, once in the workforce, continue to learn and improve their skills. Where employee skills development and life-long learning are involved, Ireland has a lot of ground to make up with the EU's top performing countries.

A decided start has certainly been made. The country has adopted its first employee skills development plan and set a quantitative target to be achieved in upskilling particularly vulnerable workers over the 4-year period, 2018-2021.^{xxiii} A second national strategy for the FET sector, for 2020-2024, commits to radically improving the quality and profile of post-school, advanced technical programmes and promoting centres of excellence among FE Colleges and Institutes. HEIs are increasing their provision of 'top up' and 'bolt on' skills training that is specifically designed for people in employment.

At the same time, however, that these developments are relatively new, that they continue to have a low profile in public awareness and, above all, in the official narrative of Ireland's economic model. Developing the capacity and capabilities that will ensure current targets, let alone more ambitious ones, will take time. For example, while having a national strategy for employee skills development that includes quantified targets has been a major advance, the modest cumulative target set – to upskill an additional 25,000 employees over four years – witnesses to how far back the country is starting from.

We have to shift the education model to the fact it's no longer about primary, secondary and university or third level. It is also about apprenticeships and how... we continue to reskill people who are working for the future.

James O'Connor, MD Microsoft, Dublin

“

Traditionally... Ireland (has) front-loaded ... learning at second and third level, but the world of work has evolved with people changing jobs multiple times throughout a lifetime.

Learning to Lead, Accenture Ireland

“

3.3 Up-skilling to sustain export success

Some multinational employers and large, exporting Irish enterprises are aware their employees need to constantly review, renew and add to their skill sets. Only if they do so will the company's Irish operations keep abreast of commercially important developments and continue to operate at or near the frontiers of best practice. For requirements that are temporary or project-specific, employers may recruit or subcontract the high-skilled and experienced individuals they need from outside by paying whatever it takes (skilled workers switching employers is a feature of the deep labour pools that form in urban clusters of knowledge-intensive companies). For the on-going and more comprehensive upskilling of their workforces, they more often rely on in-house training, parent company academies, contracting external trainers, encouraging staff to engage in advanced technical, professional and higher education courses, and other measures. Government, also, is aware of the need and committed to support the upgrading of multinationals' operations in Ireland in order to embed the country's current foreign direct investment base (*Innovation 2020*).

Within Ireland's knowledge-intensive exporting enterprises, however, continuing vocational and education training (CVET) is not a major practice. A 2020 survey found that, while 59 percent of employers see the education sector as lagging behind industry needs, less than one-half look to make up the shortfall with more internal training; 60 percent had not increased their investment in training and developing their employees' skills in the past three years; and 47 percent did not expect their levels of investment to change. Relatively 'lite' learning opportunities, on the other hand, appeared to be more widespread: 54 percent provided 'on-site knowledge sharing sessions' and 39 percent encouraged employees to take courses and training outside of the office.^{xxiv}

These Accenture findings for 2020 echo an earlier finding in the 2016 Eurostat Community Innovation Survey. The latter found that only 31% of enterprises in core innovation sectors in Ireland provided training to their staff in support of their technological innovation, as against an EU 28 average of 38%. Ireland's rate, in fact, was the **6th lowest** in the EU 28.^{xxv} Both these 2016 and 2020 findings are consistent with a pattern whereby multinationals in Ireland are relying significantly on external recruitment and not in-house training for the new skills that renewing their Irish operations requires.

A growing part of the up-skilling of the already relatively high-skilled that is needed is focused on the transversal and soft skills that ensure they can communicate, adapt and apply their specialist technical and professional knowledge and competencies in different settings and circumstances. This was strongly impressed on FIT in interviews with high-tech employers it conducted for its 2018 Skills Audit:

Traditional descriptors such as coding, programming and software development are now in danger of suggesting a degree of over-specialisation and absence of flexibility, when [it is] the ability to understand and appreciate developments in a range of ICT fields, and to work across them, that are [becoming] particularly highly valued. Today's tech employers seem to require not just a much broader array of tech skills but balanced employees with business development, entrepreneurial, creativity and interpersonal skills that may not be readily apparent on a résumé.... This requirement for competency across a range of technological areas and good knowledge of how business gets done means tech practitioners can no longer primarily rely on honing and deepening a skill set acquired in their initial tech education. They are having to adapt, take on additional ICT skills sets... as the tech-driven transformation evolves [and]...at the same time, transversal competencies such as project management, problem solving and entrepreneurship etc. are increasingly valued.^{xxvi}

This is a strong finding in the 2020 Accenture Survey also, which describes as 'a skills confluence' when employers seek employees who combine a deep skills in a particular area with transferrable 'soft' skills and a broad outlook. In its words:

Core degree specialisations are important, but misleadingly labelled 'soft skills' will be just as pivotal in the future workforce - an ability to solve problems, to work collaboratively and use investigative techniques and emotional intelligence to cut through complex issues around next-generation products and services.

3.5 A Pandemic window on FDI success

The Pandemic has highlighted, to an unusual extent in 2020, a unique feature and strength of the Irish economy, viz., the large scale and high quality of a set of subsectors from which US multinationals export knowledge-intensive products and services. They have contributed to making Ireland's exports, by value, exceptionally concentrated in their composition, and its overall economy reliant on inward investment to a high degree. In different circumstances, considerable risks attend this level of dependence (e.g., the collapse of the dot.com bubble in the past, changes in how the US and EU will tax these companies in the future, etc.). In the particular circumstances of Covid-19, however, it has proved to be more of a blessing.

This is illustrated in the role exports played during 2020. Despite having one of the most open economies in the world and, thus, being typically vulnerable to global economic conditions, Ireland's exports grew by 6.2 per cent in 2020 at a time when global trade was contracting (Chart 5). The achievement was due to the exports of US multinationals in two sectors – pharmaceuticals and computer services. In value terms, the sectors account for 61 per cent of Ireland's total goods exports and 53 per cent of its total services exports respectively (2019 figures, Central Bank, Q2 2021). By contrast, other exporting sectors saw collapses in revenue of as much as 70% collapse, e.g., international travel and tourism services. IDA client companies even managed a net increase of 9,000 in direct employment during 2020 when employment elsewhere was falling (total employment in the economy fell by 1.2%). They were also responsible of a €1bn increase in corporation tax, the only tax head to record a rise in 2020.

It is because of the scale and composition the Irish operations of these companies that Ireland was the only EU country to record growth in GDP in 2020 (+3.4%) when the average across the EU 27 was a decline of -6.2%.



3.6 Upskilling the domestic economy

The need for upskilling is even more acute on the lower rungs of the labour ladder where a greater part of the work currently being done consists of routine manual or routine cognitive tasks. Multiple studies of the employment consequences of digitization point to high levels of vulnerability for blue collar workers in manufacturing, warehousing, etc., on the one hand, and for white collar workers in accountancy, office administration, etc., on the other.

Protecting these workers and ensuring that they can continue in employment, either in upgraded versions of their current jobs or by transitioning to jobs with better prospects, requires designing and implementing training programmes that will enable them assume new tasks and new roles in their current jobs or to transition to alternative occupations and sectors. The research emphasises that these programmes have to include a particularly strong focus on digital literacy and, similarly or even more than in the case of their higher skilled peers, transversal, socio-emotional and general people skills as well as job-specific technical skills. In this context, it is poignant if the very terms and conditions under which employees work erode rather than nurture foundational dispositions for developing soft skills such as confidence, creativity and self-belief, a likelihood associated with low pay and poor job quality.

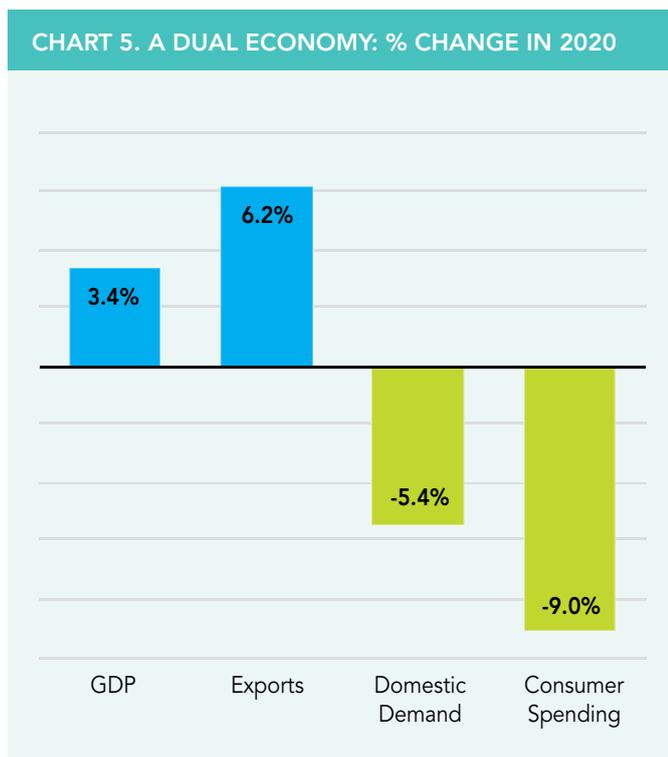
But the challenge is clear. *All* employee skills training that purports to future proof' them and ensure they can remain in decent employment as the world of work continues to rapidly change around them, no matter their current rung on the labour ladder, needs to be holistic and to pay proportionate attention to developing and monitoring, in tandem, deeper job-specific technical skills, the confidence and ability to apply them in different contexts, and the people skills to work collaboratively and responsibly with others. A World Bank Report (2018) on the EU provides a particularly good summary:

As machines increasingly take over routine tasks previously performed by humans, tomorrow's jobs will become ever more about non-routine, cognitive, analytical, and interpersonal tasks. Success in this fast-changing labour market requires **advanced cognitive skills** (such as critical thinking and problem-solving), **social-emotional skills** (such as conscientiousness, goal orientation, and ability to work in teams) and **up-to-date job-specific technical skills**.^{xxvii}

3.7 A Pandemic window on the domestic economy

In second place, the Pandemic has shone also highlighted the extent of the imbalance in Ireland's economy between the productivity and innovativeness of the multinationals that generate the majority of its exports and the productivity and innovativeness of the indigenous companies and SMEs supplying the domestic and local markets and which employ the large majority of the country's workforce.

The imbalance emerges particularly clearly in some of the macro-economic indicators of the economy's overall performance in 2020. Data on GDP and exports point to a surging economy, but data on domestic demand and consumer spending depict another reality altogether. While exports grew by 6.2% and GDP by 3.4%, modified domestic demand fell by -5.4%. While exports grew by 6.2%, spending by 'locked down' consumers slumped by -9% and domestic demand overall by -5.4%.



Source: CB Quarterly Bulletin Q2 2021.

1. Modified domestic demand aggregates consumer spending, government spending and gross fixed capital investment. It excludes, therefore, most of the influence the activities of multinationals have on GDP to avoid the potentially flattering picture it can present of how Ireland's economy is performing.

Capital investment (not shown on the chart) fell by -32%, registering the impacts on businesses of increasing uncertainty and on the State of the urgency to prioritise new forms of emergency current spending over its public capital programme. For the large majority of businesses and workers, the indicators on the Chart's left side are those that are relevant, while that Ireland was outperforming the rest of the EU in GDP and export growth meant little.

3.8 Understanding why people stay in low productivity jobs and do not upskill

Any aspiration to promote the upward mobility of a large number of those working in low productivity, low paying jobs must reckon with the fact that a significant number among them may simply lack the confidence and motivation to engage in upskilling. This has to be addressed.

Some may be secondary workers earning important additional income for their households but not being relied on to cover its major expenditures. The convenience of the hours and location of their work may successfully balance with home or other commitments and interests. They may have no issue with the status and terms and conditions of their employment, but find their employer responsive as well as responsible. Non-monetary aspects of their work may be highly important to them: even if they believe they are not being paid as much as they would like and should, be paid, it may mean a lot that what they actually do is valued strongly by those for whom it is being done (as in providing home care, child care, etc.).

Observations like these certainly help explain why some working in low productivity, low paying jobs are content 'where they are', and have reasons to be so. But they are far from describing the experience of many others who want, if they only could, to move out of their current jobs for better paying ones and have the necessary capability to reskill to do so.

They may have chosen to begin in a low paid job as a deliberate first step in climbing the labour ladder only to subsequently discover that the job they are in makes it more difficult to prepare for, look for, or be considered for, better employment later. The demands and constraints of the hours they work, the commuting or living conditions involved in holding their job, the difficulty of saving for or engaging in any continuing VET, how they are treated by their employers and supervisors, the atrophy of even skills they had on entering their job but have not used, etc. – can make it a case of 'once in, hard out.'

For example, research finds evidence of a long-term scarring effect among those who graduate in times of recession and begin their working life by taking low paying work. Likewise, migrants can enter jobs which they know are well below their capabilities only to subsequently find that their integration and advancement becomes more difficult because they are in 'migrant jobs'. Young people, deterred by their poor relative performance in upper secondary school, and poorly informed and advised on conditions in the contemporary world of work, can target jobs unaware of their bleak prospects. Subsequent experience of jobs that did not last then lowers even further their expectations of the jobs they will be offered.

It is not for no reason why people in low paying jobs are more likely to be considered by employers, and to *consider themselves*, as poor candidates for skills training. They can be sceptical of the relevance of training, have low levels of ambition and little expectation that they will improve on their job and 'advance' in the labour market (all of which can be based on their labour market experience to date). This puts the investment that each side must make in skills training (employers and employees) at risk of getting little or no return. They can have specific hard and soft skills not validated by any qualification (a challenge to RPL), and aptitude tests can confirm their suitability to in-demand roles that previous jobs held, formal educational attainment, etc., would seem to belie rather than reveal.

Accenture Ireland finds the following factors strongly associated with people not having undertaken training – not being a graduate, being a long time in the same job (30 years or more), low household income (€20,000 or less), and being unemployed. Only a minority (16%) were simply not interested. The large majority (84%) could be motivated but would need, in order of importance, funding support to cover training costs (particularly important to 55-64 year olds), seeing that it would advance their career, a high quality learning experience, and time to learn during the working day (again particularly important to the 55-64 cohort) in order to take the plunge into training (*Accenture Ireland, 2021, Talent for Tomorrow*).

In short, the unfortunate reality for all too large a number of those currently working in Ireland's lowest paid jobs is that they are, in effect, trapped in them and not being sufficiently encouraged and supported to reskill so as to be able to undertake higher tasks in their current job or in to alternative jobs and to earn more. It is another reason why low paid workers are typically found to report much higher levels of job dissatisfaction than the better paid.

FIT has gained extensive experience with the ability of the right aptitude assessments to establish an individual's future capabilities independently of their labour market history. For example, of the individuals it has successfully placed in employment to date after completing FIT/KETB's Level 6

Advanced Manufacturing Programme belie the narrative that 'past performance' is a reliable indicator of actual ability, 32% had only a Leaving Certificate or less, 37% were aged 40 or over and 84% had been in receipt of social welfare. FIT has also noticed that, in the Skills Audits it has periodically carried out, it has not been unusual for employers it interviewed to have considered the skills of their 'general operatives' as, in fact, being exercised at the 'competent' and even 'expert' levels and not at 'entry level' (the classification FIT uses in place of 'low, middle and high').

3.9 Advancing what 'activation' means

Ireland's emerging new economic script make it more vital than ever that education and training providers, and industry, now 'step up to the mark' and advance the country's long-term objectives for the economy, including during the post-Pandemic recovery post.

To recap, these objectives include:

- to ensure the dynamism and continuing evolution of Ireland's exporting sectors
- to support the more rapid digitisation and 'greening' of the economy;
- help boost the productivity of indigenous SMEs;
- support workers who must transition to occupations and sectors that are new to them;
- improve the productivity, earnings power and mobility of those currently trapped in low paid and insecure employment;
- to be integral partners in regional and local economic development coalitions.

All this places a high premium on the ability of education and training providers, in dialogue with industry, to innovate and emulate best practice in designing and implementing their courses and programmes. They will need to invest more, and be more systematic in, reviewing and ensuring their aptitude testing, pedagogies, curricula, learner supports, engagement with employers, assessment methods, job placement and early in-employment supports are at or near the frontiers of best practice and the most suitable possible to the profiles of their learners.

Most immediately, however, they need to **embed the training** they offer **more strongly in activation policies**.

Ireland's experiences in recovering from the unemployment crisis of the 1980s and the bank crisis of 2008-12 provide some important lessons that education and training providers should draw on to make strong contributions to the post-Pandemic recovery.

Those lessons include: (i) being vigilant and innovative to ensure a 'lost generation' does not emerge. In the post-Covid19 context, this will entail paying particular attention to the re-employment prospects of the large number in receipt of Pandemic Unemployment Payment and of the employees benefitting from the Temporary Wage Subsidy; (ii) ensuring fairness in the design and implementation of recovery measures, and that where pain was most inflicted, support is proportionately concentrated. Perceptions of unfairness in how recovery from the banking and fiscal crisis took place has left lingering mistrust; (iii) working through mainstream policies and bodies rather than creating programmes and bodies exclusive to disadvantaged job seekers and areas. Opportunities to regain a foothold in the mainstream labour market and to progress within it is the hallmark of successful targeting and not the prolonged reliance on the status of disadvantage.

Unlike in responses to the earlier crises cited, this time the public employment service and the FET sector are each more strongly equipped and experienced in collaborating together to identify and deliver when and where training is key to individuals' re-employment prospects. This should entail paying particular attention to the re-employment prospects of the large number in receipt of Pandemic Unemployment Payment.

The challenge presented by the damage done to the Accommodation & Food sector is a case in point. The medium- and even long-term re-employment prospects of a significant number of them are poor as their former employer will either adapt their business model and reduce the number of staff they re-employ (some to 'take the high road') or simply go out of business altogether. Years of cheap air travel and a strong drive to increase tourist numbers may have pushed this sector to a size that behavioural changes after the pandemic will not sustain: 'Tourism and travel may never be as simple or popular again' (*Financial Times* Leader, 30/04/20). Re-employment policies should now prepare to help a significant number of the 126,000 put out of work in this sector to reskill and upskill for alternative occupations in other sectors. In this context, it should be noted that 27% of those employed in hospitality occupations in Ireland are aged under 25 (as against 10% nationally) and that 31% are non-Irish (as against 16% nationally) (*National Skills Bulletin*, 2019). Identifying and designing 'activation' that features reskilling for alternative employments of young people who might otherwise be lost to the country will be a key test of how well Intreo and the FET sector can now collaborate.

The unwinding of the temporary wage subsidy scheme that has enabled more than 40,000 employers to furlough their employees rather than make them unemployed is a similar challenge and opportunity to advance Ireland's long-term strategies for raising skills across its entire workforce. Employers must soon decide if their business prospects will enable them welcome back all those they furloughed or if they will have to serve redundancy notices on some (or all, if they conclude their business is lost). The economy that reopens for business will be different to the one that had to shut down. Imagination and determination need to be brought to ways in which those made redundant are enticed to reskill, and successfully do so, for roles and occupations that are in demand elsewhere in the economy.

The transitions which many workers will have to make need to be underpinned by a generous income support platform. The Pandemic Unemployment Payment and the Temporary Wage Subsidy Scheme were developed rapidly and, at their peak, provided full income support or partial wage support to over one million workers. This was a remarkable achievement by the DEASP. It should not be criticised for instances in which some individuals received more in support than they had earned on the eve of the Pandemic. The need to transfer recipients of the PUP and TWSS to Jobseekers' payments and the Intreo employment service is an opportunity, even makes it an obligation, for the new government to review the adequacy of the basic Jobseeker's weekly payment (€203) and of Intreo's activation measures (Job Path, etc.). The overarching objective should be to steer as many of those who are not being speedily re-employed as possible through skills training and into sustainable jobs in the digitally savvy, green economy Ireland is intent on building.^{xxxviii} It is a sign of much the OECD itself learned from responses it had supported during 2008-12 financial crisis that it now advocates 'combining generous unemployment benefits with... subsidies or tax relief for firms that recall previously dismissed workers' as a key part of how a country can 'build back better'.^{xxx}

Accommodating Changes Still Needed in Education

04.



4.1 Graduates with disappointing labour market outcomes

Currently, some 64 per cent of Irish school leavers progress to higher education immediately on completing school. This is the highest proportion in the How. There are strong reasons for this. The ca 257,000 who work in multinational companies in Ireland have a major influence on young people's career ambitions. The large majority of these jobs pay well, have attractive working conditions and the enterprises in question recruit primarily from among HE graduates. In addition, HE is a route to secure and prestigious employment in the professions, the Civil Service and higher echelons of the Public Sector. There is, also, a wide awareness and appreciation of the substantial non-monetary benefits of a higher education, e.g., longevity, health, civic and social participation, life satisfaction, tolerance, etc., and that it can be 'a good in itself' apart from employment prospects.^{xxxii}

However, as Section One made clear, there are strong grounds ('awkward facts') that throw doubt on the hope and expectation that a higher educational attainment is an individual's surest route to good employment in Ireland. For example, the numbers of elementary, service and sales workers who are tertiary educated (Table 5), of tertiary educated employees on low pay (Table 2) and the extent of skills mismatch generally in the economy (Table 4) are particularly significant.

A corollary of these findings is that the degree of inequality in earnings among the tertiary educated in employment in Ireland is exceptionally wide by EU standards (Table 7). Sixteen per cent have earnings that are at or below one-half the median, a proportion that is almost double the EU average of 9%. At the same time, 25% are earning more than twice the median (EU average 21%).

TABLE 7. INEQUALITY IN EARNINGS AMONG WORKERS WITH TERTIARY EDUCATIONAL ATTAINMENT (2017)

Median earnings from work for tertiary educated 25-64 year-olds (full- and part-time workers)					
	At or below half of the median	More than half the median but at or below the median	More than the median but at or below 1.5 times the median	More than 1.5 times the median but at or below twice the median	More than twice the median
Ireland	16	20	21	18	25
EU 23 avg.	9	23	30	17	21
United Kingdom	11	24	27	18	20
Belgium	2	30	50	14	4
Denmark	14	24	38	13	11
Finland	14	22	23	20	40
Sweden	15	25	37	14	10
Greece	10	23	33	20	14
Spain	16	17	19	16	32
Portugal	3	14	23	20	40
Italy	15	20	27	15	23
France	10	21	32	18	19
Germany	12	18	25	20	25
Netherlands	15	21	26	18	21
Austria	16	19	23	18	23
Poland	0	28	34	17	20

Source: OECD, *Education at a Glance 2019*. Table A4.2

4.2 Qualifications inflation: an EU challenge but particularly an Irish one

A major imbalance needs to be acknowledged and addressed between Ireland's supply of HE graduates and the current *and on-going* skills profile of the jobs that need to be filled). The imbalance is not at all specific to Ireland but evident in many EU countries also. Ireland, however, presents a particularly acute case of it.

When the proportion of total employment in an economy that is held by HE graduates is growing steadily, and job creation rates are highest in economic subsectors that employ mainly graduates, it is easy to conclude that 'the future belongs to those with a HE' where decent employment careers are concerned. But these accurate observations of what is happening do not, in fact, justify the conclusion. Cedefop (2018) explains it this way for the EU:

'Observed increases in employment may exaggerate the increase in demand for some higher qualification categories. Often this is happening not because the job strictly requires that level of qualification but simply because better qualified people apply for the job. People qualified at higher level may secure jobs in preference to less well-qualified people although the job does not strictly require higher level qualifications. This may give a misleading impression of demand pressures. This is often referred to as 'qualifications inflation'. ... A non-trivial share of highly qualified employees will end up in jobs that do not match their level of education, meaning we are heading towards a highly skilled workforce, a significant part of which may not have the opportunity to use the skills accumulated.'

(Skills Forecast: Trends and Challenges to 2030, pp71& 98).

Ireland has one of the highest shares of young people with a third level qualification the EU. At present, 48% of those in employment possess one and the share is expected to continue growing. However, the current and emerging profile of the job openings that will need to be filled between now and 2030 point to still large numbers being needed in what are currently classified as medium qualified and lower qualified occupations (Chart 6). For example, 'Personal care workers are expected to record the largest rise in total number of job

CHART 6. JOB OPENINGS IN IRELAND BY BROAD OCCUPATIONAL GROUPS 2018-2030.



Source: Cedefop (2020 Skills Forecast)

openings for a single occupation, totaling 119 000 jobs more jobs in 2030 than in 2018... [reflecting] an increasing average age in the Irish population.^{xxxii} This makes it inevitable that a continuing high number of its university educated will have to take employment in occupations at a lower level than that for which they qualify, continue in education and undertake 'conversion' courses, or emigrate.

When employers filter large volumes of job applications by inviting only those with a higher education to apply though the job's tasks do not require it, it becomes more likely that individuals already in those jobs begin to appear as 'underqualified' relative to the new intake, and that the recently employed will consider themselves 'overqualified'. Table 4 above, and Ireland's relative position on it, is wholly consistent with the view that Ireland's labour market is being flooded by higher educated applicants and employers are using applicants graduate status to select those they will interview.

Most of the people who work in call centres in Ireland are graduates of third-level education and most of them are never going beyond where they're at, at €23,000 or €25,000 salaries.

Jerry Kennelly, CEO, Twek.com

“

4.3 Learning from non-completion in higher education

The HEA carried out its first longitudinal study of completion rates in Irish Higher Education in 2019 (*An Analysis of Completion in Irish Higher Education: 2007/08 Entrants*). It broke new ground principally by following 34,059 students who entered higher education in 2007/08 to establish whether they had graduated or not by 2016, eight years later.^{xxxiii}

In the first place, it points out that non-completion can occur for quite 'normal' reasons and should not necessarily be interpreted as a sign of malfunction without further evidence. In emphasising that 'student non-completion is not a universally negative phenomenon', it observes that 'many students may be taking a rational approach to non-completion, in weighing up the costs and benefits of staying in their degree programme'. 'Students' choices, aspirations and circumstances change... and their withdrawal can often be seen as part of a bigger career plan'. It concludes:

It is inappropriate to specify an 'ideal' retention rate for any higher education course because the competencies and profile of student groups will differ according to changing entry requirements and learner characteristics. Retention must be understood as a complex and multidimensional issue, and institutional commitment, the establishment of supportive student relationships, student involvement and learner support within university settings are extremely important factors to consider.

With this caveat, some of the study's principle findings are summarized in Table 8. As the Table shows, overall 24% of all who entered full time higher education programmes in 2007/08 did not complete them. Behind this aggregate, there are wide variations by the institution, field and level of study the undergraduates enrolled in, and by some characteristics of the students themselves.

Table 8 shows:

- the non-completion rate varied from as high as 39% for entrants at Level 7 in the Institutes of Technology to a low of 17% for entrants to Level 8 in the Universities;
- it was 57% among those who enrolled for Computing at Level 7 across all HEIs, but 19% among those who enrolled at the same Level in Health and Welfare;
- it was 29% among undergraduates from the semi-skilled socio-economic group as against 16% for their higher professional peers;
- the widest variation of all was recorded when the CAO points with which the 2007/08 entrants had enrolled were consulted – 57% of those with 250 or fewer did not complete as against only 5% of those with points between 505 and 550;
- finally, almost 40% of all those who did not complete were a year or more into their programme before deciding to leave.



TABLE 8. NON-COMPLETION RATES AMONG 2007-08 ENTRANTS TO FULL-TIME HIGHER EDUCATION: SELECTED EXAMPLES

Student Group	Non-Completion Rate
All 2007-08 entrants to full-time HE	24%
...by type of Institute and NFQ level	
Level 8, all Universities	17%
Level 8, all Institutes of Technology	26%
Level 7, all Institutes of Technology	39%
...by broad field of study (highest, lowest)	
Computing, Level 7	57%
Health and Welfare, Level 7	19%
...by broad field of study and specific Institute (highest, lowest)	
Services, IT Tallaght	70%
Computing, Letterkenny IT	48%
...by socioeconomic group (highest, lowest)	
Semi-skilled	29%
Higher professional	16%
...by Leaving Cert points on entry	
Between 205 and 250 points	57%
Between 505 and 500 points	5%
Non-continuance occurring after 1st year	
All HEIs, all Levels	37%
Level 8, all HEIs	40%
Level 8, Science, Maths, etc.	48%
Level 8, Engineering exc. Civil	52%

Source: HEA (2019)

In its literature review that helped to frame the report, the HEA noted that international research frequently finds that characteristics of students at *the start* when they became undergraduates go a long way in predicting whether they will complete or not. This includes their earlier experiences and achievements while in the secondary school system.

Student preparedness for higher education is a major topic in retention and completion literature. The competencies of a student are major determinants of student success.... [T]he majority of studies on this topic demonstrate that students who were low achievers in school are more likely to drop-out of their higher education study programme... Entry grades [along with] *student motivation, self-esteem and self-efficacy* [all] impact on the probability of course completion. (HEA, 2019: 43 italics added).^{xxxiv}

On the one hand, this can suggest a certain exoneration of Higher Education Institutions themselves as having to allow for, and deal with, issues that really should have been handled earlier. It can also support the case that the HEIs need additional support to see through to completion undergraduates discovered to not be sufficiently prepared for a higher education. (It is fair to say the HEA report bends in these directions.)

On the other hand, what the report uncovers about who was less likely to complete raises questions about the extent to which HEIs themselves may be admitting too easily, or even actively competing for, students for whom alternatives outside of HE would be more beneficial and effective. It also overlooks the collective responsibility the HE sector has had in shaping the upper secondary school curriculum around its own requirements through the CAO that it controls. These issues have, finally, been articulated and given a sharp focus by the reconstituted Department of Further and Higher Education, Research, Innovation and Science and its new minister. The first decisive measures they have committed to taking, when fully resourced and implemented, will – FIT is confident – prove to be a **'game changer'**.

The Tide is Turning

'To make sure everyone in Ireland can reach their full potential... we need a fully integrated third level sector... We do not yet have one... The current third-level model has allowed a points race to get out of control and placed appalling levels of pressure and stress on young people in our country... It has allowed an almost elitist mindset to emerge which defines success in some people's mind on where you went to college, rather than what you want to do in life and how best to get to that point... It has allowed a skills shortage to develop and ignored the worrying drop-out rates from Higher Education... It fails to recognize the brilliance of Further Education and Training and how this should not just be a fallback option for students but for many can and should be a first choice.'

Minister Simon Harris: Address to TUI's Annual Congress 6th April 2021

4.4 Pedagogy and curriculum in upper secondary education

In general, the senior cycle of secondary school in Ireland delivers well for the large majority of its students, and very well for a select group. The large majority enjoy their school years and leave with the self-confidence, high aspirations, and sufficient Leaving Certificate points to make satisfactory post-school transitions. These overall strengths of Ireland's senior cycle of secondary education have been consistently confirmed in independent expert reviews, notably the OECD's annual *Education at a Glance* publication. However, there are features of Ireland's senior cycle of secondary education in Ireland that are compounding the difficulties it faces in ensuring it delivers for all its students.

A first feature of is the major extent to which it is focussed on general education and correspondingly small space it accords vocational preparation.

As is well known, the proportion of all upper secondary students in Ireland who pursue general rather than vocational programmes (98%) is, by some margin, the highest in the EU (Appendix 1, Chart 1). The second highest is Denmark but at 82%. In the OECD, only the US has a higher general orientation (100%) as it simply provides no vocational alternative at all.^{xxxv} Other things being equal, this suggests that the recognition and fostering of practical intelligence, learning-by-doing, physical and sensory dexterity, autonomous learning and problem-solving may risk being undervalued and underdeveloped among 15-19 year olds in Ireland. In fact, for some time, employers have been expressing concern that the foundations for soft or socio-economic skills becoming essential for enterprise and career success are simply not being adequately prepared at the school level in Ireland.

With growing insistence over the last decade, employers have been stressing in their recruitment requirements the importance that applicants have the right 'attitudes', enjoy

continuing to learn, are curious and problem-solvers, able to assume responsibility and to relate well with workers and customers with widely backgrounds. As many international reports now make clear, this sharper employer focus on 'attitude' has occurred across advanced economies, not despite digitisation and the advance of AI/Robotics but because of them need to exploit their potential.^{xxxvi} Within a relatively short space of time, practically every type of workplace in Ireland's small open economy - in large exporting concerns, in tourism and retail, in public transport, in Dublin and along the Wild Atlantic Way, etc. etc. - has come to require staff who will adapt, learn and interact well with increasingly diverse customers, suppliers and work colleagues, and be competent in using ICT tools to do so. To a significant extent, the sheer pace of change has lessened the extent to which parents, teachers and educational professionals can rely on their own experiences of what 'worked well' for their generation in seeking to prepare the new one (from what foreign language they should to study to not even knowing what some courses and careers are about).

In this context, it is not surprising that the curriculum and particularly the pedagogy of the Leaving Certificate programme has been, and remains, the subject of deep concern to employers, as the findings in Accenture Ireland's 2020 Survey (*Learning to Lead*) powerfully illustrate. Employers in Ireland, it finds, have a strong view that aptitude (to knuckle down and get the best CAO points) is overly rewarded in Ireland's secondary school curriculum and pedagogy, while attitude is under appreciated. It goes further to suggest that employers and educationalists appear to have 'diametrically opposed views'. For example, the survey finds, on the one hand, that only 36 percent of surveyed businesses think education is moving in the same direction as industry, 23 percent that it keeping pace with industry needs, and just 13 percent that graduates are very well equipped to meet the needs of the future workforce. On the other hand, almost two thirds of teachers are found to believe that the way subjects are taught in school is equipping students adequately for the working world.

As Accenture notes, the education-to-employment journey is made up of incremental steps – from school, to college, and to the workplace. It is a sad reflection on reforming intentions that have often been expressed, and the reach of reforms carried out to date, that Accenture can conclude: 'While each step is an important stage in its own right, there is evidence that they operate in silos to the detriment of students and employers (and) that are often disconnected despite a common purpose.'

4.5 Disaffection with schooling

A second disturbing feature of upper secondary education in Ireland is the extent to which it is concentrated on preparing the majority of its pupils to enter higher education (64% at present), thereby, compounding the disadvantage of the minority who do not. Young people with practical rather than academic intelligence and more suited to learning-by-doing, and, in particular, those from more traditional working class backgrounds are at risk of completing school 'more aware of what they do not have than of what they do have'.

Not just in Ireland but in several advanced countries, there is evidence that young people living in disadvantaged areas are particularly susceptible to tune out of what goes on in school while in their early teens and begin falling behind well before they sit their Leaving Certificate or equivalent. From early on, they can develop a sense that the 'odds are weighted against them', that achieving good grades and relationships with teachers is bad for status and that, anyway, universities are 'passive, dull and not to be trusted'.^{xxxvii} They are also particularly likely not to appreciate the level of education and qualification they will need to enter jobs in which they are interested and to pursue jobs that, unknown to them, are at high risk of being automated, while well-paying jobs with a future do not seem to capture their imagination. As a result of this 'misalignment,' their early working lives are likely to be tougher than would be expected given their background and academic success.^{xxxviii}

One of the greatest handicaps socially disadvantaged people can enter the labour market with is a lack of confidence and belief in their own abilities. Confidence and a belief one can do it (widely studied and acknowledged as key to achieving potential in sport) are integral to the individual's decision to target a better job and undertake the reskilling or upskilling that it requires. Yet young people (18-24) are particularly likely to regard employers as not willing to invest in 'people like me' and to be fatalistic about training upskilling ('a waste of time because technology etc. is moving so fast' (Accenture Ireland, 2021, *Talent for Tomorrow*).

An over-emphasis on higher education as the royal road to decent employment has been cogently analysed as having a 'boomerang effect':

The danger is that public schooling graduation standards are raised so high to prepare more for university that a significant number of lower-performing students ... fail to complete and become even more alienated from schooling. ... There are still many jobs that do not require university degrees and school reforms based on the premise that an economy can be transformed rapidly into one in which everyone is a symbolic analyst are unrealistic and have potential boomerang effects (Handel, 2012:83).

^{xxxix}

It is time for Ireland to plead guilty on this count. As the cited study concludes, policy makers should be able to enact school reforms that ensure employers' genuine need for more high skilled workers is met, and even with a prudent margin to spare, but without simultaneously neglecting educational opportunity for individuals from under-represented groups and shutting out or leaving adrift those who do not seek, or are not prepared for, university study (op. cit.: 83)

4.6 The CAO points system

A third core feature of the senior cycle of secondary education in Ireland is the weight given to the one final, end-of-schooling assessment, the Leaving Certificate, and the far reaching influence of the grades that pupils achieve.

The Leaving Certificate points acquired in this final test are play an exceptional role in how parents choose a school for their children, in the pedagogy employed by teachers, in the likelihood that young people will transfer directly to higher education after completing school, in the subjects they choose to study in HE and the particular institute they would like to enter and, finally, in the likelihood that they will complete the HE programme they start on and on how much they will subsequently earn when in employment.

The awarding of Leaving Cert points and their conversion into CAO points for the purposes of entry to HE is, currently, widely accepted as transparent, fair and efficient in matching young people's preferences for what and where they wish to study in HE with the supply of places and programmes that have to offer. Their exceptional significance is confirmed by the widespread extent to which students from more advantaged backgrounds are helped by 'grinds' and other forms of supplementary tuition to prepare for their Leaving Certificate.

As Table 9 shows, in 2019, just over 56,000 students sat for their Leaving Certificate. Just one-half of them were awarded between 300 and 499 points; another 13% achieved 500 or higher while 37% achieved less than 300. For approximately two-thirds of these students, their points were used by the CAO system to guide them into subjects/ careers for which it was presumed their CAO points confirmed they had the capabilities and aptitudes. This was particularly true for those

preparing for medicine, teaching, the professions, academia, the civil service and the higher echelons of public service.

TABLE 9. LEAVING CERTIFICATE POINTS IN 2019

Leaving Certificate Examination Points Statistics for 2019 (nominal points score, including bonus for Higher Level Mathematics, with best six (6) subjects counted for scoring.		
Candidates scoring 625 points	207	0.4%
Candidates scoring from 600 - 624	574	1.0%
Candidates scoring from 500 - 599	6,684	11.9%
Candidates scoring from 400 - 499	13,489	24.1%
Candidates scoring from 300 - 399	14,266	25.4%
Candidates scoring from 200 - 299	10,732	19.1%
Candidates scoring from 100 - 199	6,557	11.7%
Candidates scoring less than 100	3,562	6.4%
Total	56,071	

A still deeper issue needs to be faced, however to which the employers' critiques discussed above are pointing. It is that the flexibility, resilience and problem-solving attitudes which young people now need to deal AI/robotics transformed workplaces are not being sufficiently developed by the pedagogies and assessment methods still dominant in schools. This means that CAO points are simply not sufficient as a metric for capturing students' abilities and capabilities when they finish school. They certainly do not justify the extent of confidence currently placed in them in Ireland (by parents, teachers, education and training providers, employers and, hence, by young people themselves).

This is FIT's deep conviction after many years' experience working with disadvantaged jobseekers. A recent example is the Level 6 Advanced Manufacturing Technician programme it runs in conjunction with KWETB. This targets unemployed job-seekers who are selected on the basis of interviews and be-spoke tests that help ground an assessment of each candidate's aptitude and potential, regardless of their past labour market history and Leaving Certificate results. The stakes are high. Potential employees are sought for some of Ireland's most advanced manufacturing operations (Intel, for example) but from among a cohort where low educational attainment, being of a mature age and in receipt of social welfare are widespread. Yet the programme has proved successful for participants and employers. The majority are completing the programme and securing employment. Of those who have successfully completed, 32% had a Leaving Certificate or less as their highest educational attainment, 37% were aged 40 or over and 84% had been in receipt of social welfare.

When the OECD uses results from its PISA study, which provides a particularly granular and reliable metric of individuals' academic ability, it finds evidence that than disadvantaged young people of clear ability are much less likely to have educational and career ambitions that match their ability.

Results from PISA show that the career aspirations of young people are no simple reflection of teenage academic ability. Rather, they reflect complex lives. Analyses show that even after controlling for proficiency levels, the children of more advantaged families are more likely to want to go on to university than working class kids. Similarly, career thinking is often driven by gender and immigrant background as well as socioeconomic status. Disadvantaged young people are at clear risk of career confusion. A matter of particular concern[is that] high-performing young people from the most disadvantaged backgrounds are, on average, still nearly four times less likely to hold high aspirations than similarly performing peers from the most privileged social backgrounds.^{xi}

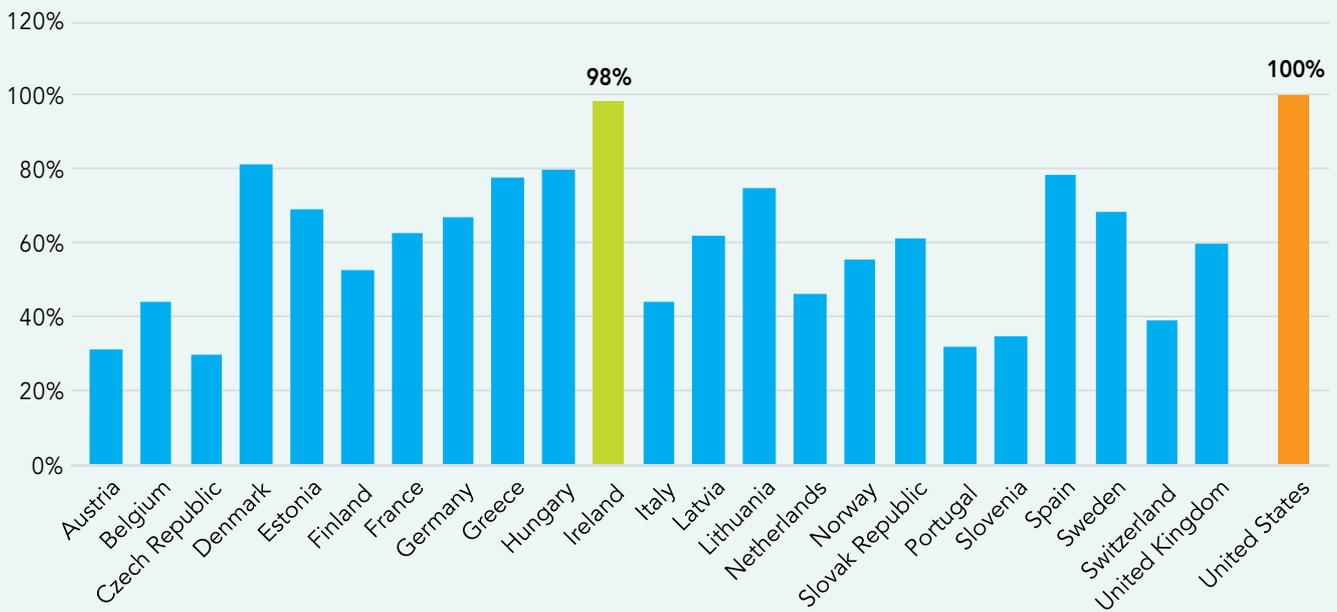
An observation made about in the UK has had frequently been made in other ways in Ireland too: "We have created an academic sorting machine selecting talent on a narrow set of metrics which have questionable real world relevance."^{xii}

4.7 Analysis and reflections

4.7.1 Upper secondary school and CAO points

In a significant body of research much of it by the HEA, statisticians have established the strong significance of low CAO points in predicting poor outcomes for young people in their early adult lives. For example, other things being equal, they are significantly less likely to complete higher education if they enrol in it, and to earn less than their peers if they do graduate. The longitudinal data that would ground predictions of what might happen when they are in their 30s and older do not yet exist in Ireland but another body of research by economists, on the long-term scarring effects of poor starts in the labour market, suggest a significant number of them will continue to struggle to earn steadily and to earn decently. Given, that almost forty per cent of those who sit the Leaving Certificate get 200 CAO points or less (Table 9 above), this points to a very large group of young people setting out in life with the odds weighted against them. It needs to be put into words, and then roundly rejected, that this scale of low attainment is not, and should not be interpreted as, the reflection of a 'natural' distribution of intelligence, merit or capacity for effort in the young population. (Some of Ireland's most successful business people, whose paths from school to work by-passed HE will agree with this!)

CHART 7. UPPER SECONDARY SCHOOL ORIENTATION: % GENERAL (NOT VOCATIONAL), 2017



Source: OECD stats on-line

The assumption that the spread in CAO points' achievement is, in fact, a reliable guide to a natural spread of intelligence and ability, is, of course, flattering to the majority who gain the higher points. It appears to be strongly supported by statistical analysis of what lies behind the wide variation in non-completion rates across higher education courses and institutions (Appendix 3). This demonstrates that, if these poorest performing courses/institutes were to enrol students with the same CAO points' levels and other socio-economic characteristics as those who enrolled for the better performing courses/institutions, the wide differences in non-completion rates would largely disappear or even be reversed. It is not difficult to see that this can be used to argue that additional funding should go to those HEIs and courses which admit low CAO point holders to support them in the harder task they are assuming by admitting them.

A wholly different interpretation of the same evidence is, of course, possible. It is held by a growing number of actors (employers, education and training providers, academics) but, somehow, without yet being knit together to gain the traction that it deserves. This alternative perspective accepts that **something is deeply amiss** with the dominant curriculum and pedagogy in upper secondary school and the CAO points system in Ireland. They simply do not sufficiently recognise and foster practical intelligence, develop those young people who learn best by doing, anticipate the cardinal significance that confidence, problem-solving, collaboration, team work and other socio-emotional skills will have in the AI/robotics age, etc. They are unduly shaped by the interest of HEIs in having a centralised admissions process to their

courses. Assessment of a young person's abilities hinges on a single, end-of-schooling, competitive exam which accords exceptional weight to memory, and whose results can be distorted by anxiety and other random factors.

4.7.2 The interactions between upper secondary schooling, FET and HE

It is regularly documented and widely known in Ireland that average earnings rise steeply with the level of educational attainment. It is remarkable, in fact, that the net private returns, or premium, to a higher education in Ireland is one of the highest in the OECD world (*OECD Education at a Glance*).

Two things, however, are important in interpreting the extent to which it seems 'obvious' that 'more is better' where education and labour market success is concerned. First, the earnings differences across individuals with the same level of formal educational attainment can be as wide, or wider, than differences between the levels themselves. It is important not to overlook the significance of the discipline studied, the extent of its vocational focus and use of different learning methods in accounting for differences in what graduates earn, and the significance of on-the-job learning, experience and job tenure in accounting for differences in what people without a higher education earn.

In second place, the premium attached to a higher education applies to an individual's working life and is calculated based on observing what those with a higher education of different ages now are currently earning. For older cohorts, of course,

this reflects a past when, as it were, their 'scarcity value' was much greater than today. This has been well articulated by some leading employers in the UK:

The young have been led to believe that because most graduates secured high skilled training/work in the past (when there were far fewer graduates), and because the average pay of graduates later on is significantly higher than average pay (skewed by very high earnings in certain occupations), they would be foolish not to take a degree... But evidence indicates the low-level employment prospects of many graduates, with many more likely to end up in non-graduate employment (City and Guilds Industry Support Board, 2015, *Making Apprenticeships Work: the Employers Perspective*).

There is, therefore, an element of 'driving using the back mirror' if the currently large premium associated with a higher education is used to support the case that participating in HE is akin to a guarantee of high relative earnings.

In acknowledgement of this, career guidance counsellors already emphasize that careful choice of the subjects to study is much more important than before when enrolling in HE. Innate interest and curiosity remain important in course selection, but fields of study and the track record of individual programmes and Institutes need to be carefully scrutinized. Otherwise, the considerable investment of effort and resources which HE requires of individuals and their families may not bring the employment outcome they seek. This type of scrutiny undoubtedly contributes to the very high CAO points currently required to enroll in medicine, teacher training and some other fields. It also explains the disproportionate proportions of their intakes that are coming from the higher socio-economic groups and more affluent residential areas.

The consequences for young people with relatively low CAO points, from the lower socio-economic groups and more disadvantaged areas, however, are all in the opposite direction. Their low CAO points lead them to concentrate on programmes such as child care & youth services, travel, tourism & leisure, mechanics & metal trades, and pre-school education. They are disproportionately likely to go to some HEIs rather than others [see Appendix 2 on the spatial distribution of FET and HE campuses]. Letterkenny IT, for example, has almost 54 students from disadvantaged areas for every 10 students from affluent areas compared to a ratio of 1 disadvantaged per 5 affluent UCD, UCC and RCSI. The ratio in medicine field across all the HEIs that teach it 1 disadvantaged area for every 10 affluent areas, the lowest ratio for any detailed field of study (HEA, 2019, *A Spatial & Socio-Economic Profile of Higher Education Institutions in Ireland*).

It is also notable that even when, despite the considerable odds against them, students from disadvantaged neighborhoods enroll in and complete a higher education, they still earn significantly less after graduation than their peers from affluent areas. And this difference in later earnings remains even after the field of study, NFQ level of their programme, grade they achieved in higher education and type of job they enter are all controlled for.

Arguably, career guidance counsellors need to be even more up-front today in pointing out to those completing school and their parents that, while there are, indeed, many broad and substantial benefits, outside of employment and earnings, to a higher education (health, civic participation, participation in LLL, overall well-being and satisfaction, etc.), a higher education – of its own – does not ensure success in the world of work.

Something is also deeply amiss, therefore, in the current balance between HE and FET in Ireland. Large numbers of graduates, by EU standards, end up working in non-graduate jobs and earning well below their peers. Universities face a widely acknowledged funding crisis as resources have not grown in line with student numbers leading to immense pressures on undergraduate teaching, growing concerns with its quality and a slide in their international ratings. The funding crisis has led them, simultaneously and with some internal contradictions, to increase their efforts to attract high-paying international students, increase enrolments through the CAO points system including of mature students, reduce non-completion rates, increase the level and intensity of their research, improve the quality of undergraduate teaching, and – in the case of Institutes of Technology - move to acquire the status and responsibilities of, technological university status while remaining engaged in provision at Levels 6 and 7 (and even 5).



It is, clearly, the responsibility and role of the DES to recognise the interactions that there are between the upper secondary school curriculum, what is assessed and how, the gap between the expectations of a large number who enrol in HE and the outcomes they achieve, and the respective missions, capabilities and capacity of the Universities, Institutes of Technology, Colleges of Education, and Further Education Colleges/Institutes. Only the Department can develop, and oversee the implementation of, an integrated strategy that tackles the current shortcomings in a proportionate and synchronised manner. It took a significant step in this direction with the publication of the *National Skills Strategy 2025*.

There is a lively awareness of each of the issues raised in this paper. Research, reforms and innovative measures are occurring to tackle each of them. Without devaluing at all what is being done, it is still disappointing that the potential contributions a stronger and more rapid development of the FET sector could, and should, make to reducing the influence of the current CAO points system on the senior cycle curriculum and pedagogy and in relieving some of the pressures and expectations burdening HEIs, are not being articulated and advocated more strongly. If anything, the sector continues to be the underdeveloped middle ground between the schools system and higher education. It is still under the radar of too many parents (with apprenticeships, finally emerging as a significant exception) and the post-Leaving Certificate options it offers remain opaque and confusing to those who do approach it. The major reforms to the sector are only now beginning to deliver the significantly higher capabilities that can ground higher ambitions and more challenging goals, and the new FET Strategy for 2020-2024 does not disappoint. It features a major simplification and strengthening of pathways to skilled employment in the economy other than through HE for young people finishing school and opens the possibility for FE Colleges and Institutes to become much more prominent providers of quality provision at Level 6 and even Level 7, 'freeing up' up HEIs and IoTs to do what only universities can do.

4.7.3 The elusive higher status sought for FET

In a country that is justly proud of what it has achieved in and through its expansion of higher education, the fact remains that some 36% of those completing school do not transfer immediately to HE. Paradoxically, though being a smaller proportion of their cohort than elsewhere in the EU, this does not mean they are provided with strong, clear and well-resourced options. If anything, the opposite. The outcomes for many among this one-third make them a particularly disadvantaged group among Ireland's youth. Unique features of Ireland's educational system and labour market have contributed to creating what can be termed 'a third level society' in which alternative routes to good jobs in the economy for young people not going to higher education struggle for status and 'parity of esteem'.

A large supply of higher educated young people are being produced indigenously and coming from abroad. They compete for employment and can contribute to bumping their lesser educated peers off the labour ladder (particularly in economic downturns). This reduces the status and attractiveness of FET alternatives, and even causes some to shoe-horn themselves into higher education that they struggle to complete. An already considerable imbalance in investment between the two sectors can, then, be further accentuated. The crowded campuses of HEIs, poor outcomes of some of their graduates and slippage in their international rankings add to their already undeniable case for increased public funding, but voices are fewer and weaker that make the system-wide case for greater investment in improving the quality and scale of FET along with sustaining HE. It is even easy for a somewhat hegemonic view of the purposes of the curriculum and pedagogy of the Leaving Certificate to emerge. For example:

*'It is crucial... to ensure that all students leaving the second level system are fully equipped for **higher** education in terms of academic preparedness, knowledge and understanding of course content and the requirements of the course (HEA, 2019: 105 italic added).^{xliii}*

But others insist strongly that 'higher' should read 'tertiary' so as to deliberately encompass post-Leaving Certificate further education and training as well. Academic research on emerging skills needs in advanced countries, many employers, and the *National Skills Strategy 2025* itself, stress the need for, and potential advantages of, a greater balance between HE and FET in Ireland. They believe that only the proportionate development of both FET and HE will ensure all school leavers acquire the essential hard skill and soft skills, and have access to the labour market-informed career guidance they need, if they are to enter sustained, well-paying employment in the economy of the near future. But this case is still far from capturing the public, and thus political, backing that it needs.

There is also considerable evidence that CAO points are not being used wisely in guiding some young people's choice of what and where they should study. The more likely mistake some make is to choose to enrol in higher education immediately upon leaving school without a clear idea of why or what they want to study but simply because a place has been offered – in effect, they are being directed into the courses which HEIs are having the most difficulty in filling.^{xliiii} In some cases, it is not low CAO points but high ones that may distort the choice. High achievers may choose a subject area with a clear occupational destination, simply because they can and not on basis of aptitude, motivation, etc., and without appreciating the extent to which the occupation in question has aspects of a 'vocation'. A headline example may be medicine whose intake is typically made up of high

proportions of students (67%) achieving 555 points or higher and where it is not quite clear why, other than for a minority who will go on to undertake medical research, doctors have to be quite 'so brainy'. It may even be related to the high proportion of medical graduates who subsequently exercise their profession abroad.^{xiv}

It seems clear that career guidance needs to be more of a process and less a once-off event. By the end of their secondary schooling, young people (and their parents) should have a thorough understanding of the actual breadth of jobs available in Ireland's labour market, their working conditions and monetary and nonmonetary rewards, and the pathways through post-secondary education and training that give entry to them. Their understanding of the world of work should be built up through age-appropriate social study modules, class visits from inspiring individuals, written and audio-visual materials, company visits, work placements, and other deliberately planned and sequenced learning moments. The core objectives should be that a good knowledge is in place before students make educational decisions with far reaching career consequences, that their aspirations are not bounded by their family networks, peers and local neighbourhoods, and that they avoid regrets in life later about what did not do in and immediately after school.



Recommendations

05.



EDUCATION AND TRAINING PROVIDERS

There is already a wide acceptance in Ireland across FET and HE providers that robust programme and course evaluations are important in promoting the efficiency and effectiveness with which resources are used. In particular, the number of participants who enter employment is now accepted as a core metric that the various stakeholders in training – learners themselves, their families, the public bodies providing the funding, employers supporting the training, and the education and training providers themselves – are entitled to have, and empowered by knowing.

The professional interest of education and training providers, however, give them a far bigger stake in evaluation that goes beyond simply establishing and fairly comparing the employment outcomes of different programmes. Central funding bodies may be tempted to settle for a 'black box' approach to evaluation, i.e., not consider it central to their brief to understand **how** some providers are achieving superior outcomes but simply allocate more funds to those that and leave it to providers to figure out what they must do to retain, let alone see increases in, their current budgets. The process and mechanisms through which learning across the eco-system of training providers occurs that now needs more sustained attention and investment.

1

Recommendation 1

A peer-review organisation or network should be formally established for education and training professionals to help them compare and share experience, learn from each other, and jointly review national and international academic research and instances of best practice considered to be particularly relevant to delivering on Ireland's upskilling objectives. It should be a deliberate aim that the organisation

attracts and is used by members from every type of FET provider in Ireland - ETBs, SOLAS, HEIs, Skillnet Ireland, independent not-for profits, private sector providers, employer bodies, EI and IDA Ireland, and individual companies making significant training investments, etc. Arguably the National Skills Council is the body best placed to carry forward this recommendation.

2

Recommendation 2

Much is said, and much is expected, of Ireland's nine Regional Skills Fora, and rightly so. They are unique in their mission and composition. On them, demand and supply for the skills that will help a regional economy to become dynamic and resilient are discussed and identified by regional stakeholders and actors representing, respectively, employers and skills providers, with the state's development

agencies and central government playing a supporting role rather than exercising leadership. The role of the Fora is so pivotal in Ireland's new economic development strategies that the time is opportune for an independent review to be conducted by a top-level international body or expert to identify what is going well, what could be better, and the changes needed to strengthen their development.

LABOUR MARKET POLICIES

Typically, discussions and consultations on the appropriate level of the NMW revolve around ensuring current jobs are not made unviable or jobs that might be created choked off. The Low Pay Commission, whose members include employers and unions representing the lowest paying sectors of the economy, give regular attention to these concerns.

It is a significant addition to the Commission's work, and a major signal of Ireland's intent to make its labour market more inclusive and productive, that government has formally asked it to report on how Ireland can progress to adopting a Living Wage (currently considered to be 22% above the NMW).

3

Recommendation 3

All research by the Low Pay Commission should include what is known about the effects of higher

minimum payments on the incentives for employers to support, and workers to engage, in *training*.

4

Recommendation 4

It is urgent that complementary research should be set underway into what 'high road' business models will entail for different sectors in the post-Pandemic recovery. It should outline what evidence and international best practice say it is credible to achieve

in seeking *viable* new business models. This will involve a particular focus on how indigenous enterprise and SMEs can seize new market opportunities, digitize much further, adopt new work practices and, above all, reskill and upskill those who work for them.

Ireland's employee skills development programme, *Skills to Advance*, has three primary target groups: employees whose skill level is below Level 5 on the NFQ; SMEs with little capacity of their own to identify the skill needs of their employees doing lower skilled work; those doing lower skilled work in any economic sector experiencing particular turmoil or skills constraints. Even at the time the programme was launched (*Supporting Working Lives and Enterprise Growth in Ireland*, September, 2018), the cumulative target set of upskilling an additional 26,500 employees

over the 4-year period, 2018-2021, was modest but considered by SOLAS and the ETBs to be stretching the current capabilities and capacity of their sector. It is clear that the Pandemic has done much to increase the number of workers and SMES that stand in need of this programme and would benefit from it. Recommendation 5. The quantitative targets set in *Skills to Advance* should be significantly raised but in tandem with substantially higher investments in developing the capabilities and expanding the capacity of SOLAS and the ETBs to deliver on them.

5

Recommendation 5

The quantitative targets set in *Skills to Advance* should be significantly raised but in tandem with substantially higher investments in developing the capabilities and

expanding the capacity of SOLAS and the ETBs to deliver on them.

LABOUR MARKET POLICIES

Labour market recovery from the pandemic will require, as in the aftermath to the 2008-2012 financial crisis, major attention to, and investment in, activation measures that are adequate in scale and designed according to the profile and needs of those put out of their jobs or unable to get a first job. The greater capabilities and focus on employability that is in both HE and FET, and the experience in collaboration that ETBs and Intreo have gained, should be built on to ensure large numbers of those seeking work acquire the skills that will give access to sustainable jobs that are in line with where the economy is heading (digitally intensive, green, stronger indigenous productivity, etc.). A major step in this direction was

the introduction by SOLAS of its *Skills to Compete Programme* in 2020. It combines three strands of FET provision - transversal skills development that help employability, building digital capabilities, and specific **Level 4-6 courses** targeting growth sectors and occupations – and adds tailored advice and support to reskill and retrain some of the most disadvantaged workers put out of employment by the Pandemic. The number of these whose previous employers will not be rehiring has grown the longer the Pandemic has lasted. Yet the Programme has had a relatively low profile to date given its pivotal importance. Plans are in development to provide for fund additional 50,000 places over 2020 provision.

6

Recommendation 6

The plan to increase the capacity and uptake of the *Skills to Compete* programme by at least 50,000 places has to be delivered on and the Programme should be given a higher profile and marketed more proudly by SOLAS, the ETBs and the DES as a key example of 'building back better' where the labour market policy is concerned.

The enormous potential of apprenticeships in equipping more young people for rewarding work in every sector of the economy - those currently

dominated by multinationals and in the large domestic sectors including the public sector – is finally capturing the attention of more employers and young people. The contribution of apprenticeships, and other forms of dual-learning that appeal to people who prefer 'learning by doing' and 'earning while they learn', to reducing pressures on the Higher Education system and the significant waste of skills, talent and resources (public and private) that non-completion and skills mismatches constitute, is being articulated more strongly than before.

7

Recommendation 7

The expansion of new apprenticeships, and the development of feeder programmes and progression pathways from as low as Level 4 that set people on clear and supported routes to achieve apprenticeships at Levels 6, 7 and higher, should be proceeded with

without delay. Individual Colleges and Institutes of Further Education should be encouraged to develop their expertise and capacity to design and deliver these progression pathways, including by specialising in a collaborative manner on the specific occupations and apprenticeship for which they prepare their students.

WIDER EDUCATIONAL REFORMS

Drawing on the enforced experience in 2020 of reviewing how its Leaving Certificate generation should have their capabilities fairly assessed, progress should be accelerated that will end 'teaching to the exam', the exceptional weight accorded to memory, and the anxiety and random factors that can distort a single, end-of-schooling, competitive exam. A significant element of continuous assessment needs to be embodied in a new version of a student's leaving certificate that should reflect the major importance to

their adult lives of their capabilities to problem-solve, collaborate, learn on-the-job, exercise leadership, etc. Very significantly, a greater recognition of the soft or socio-emotional skills that are rising in importance in the emerging, wholly transformed world of work in the curriculum and pedagogy of schools would also facilitate an earlier thorough assessment around the age of 16 to determine if students want an academic or more practical education.

8

Recommendation 8

The current pivotal significance of their level of CAO points to young people's futures makes research vital into the extent to which they genuinely capture attainments that underpin successful labour market

careers and the skills demand of employers. This research should explore the types of intelligence and specific capabilities being rewarded and those that are not.

Some level of non-completion in Higher Education is inevitable. At the same time, there is no consensus on the approximate level Ireland should regard as 'normal attrition' (akin to the frictional unemployment rate in labour market performance) and when the level is unacceptable, a significant waste of resources, public and private, and requires urgent attention and redress. The fact that non-progression from first to second year is a very large component of overall non-completion (HEA, 2019: 162) underlines the need for more

in-depth research into **why** students choose their programme and courses and why they subsequently abandon them. As reviewed in this paper, there are serious grounds for concern that many young people in Ireland 'shoe horn' themselves into HE because they see no real alternative, and choose the programme/ courses they start on the basis that it has the highest points requirement their hard-won CAO points can 'buy', rather than for reasons of interest and motivation.

9

Recommendation 9

Cost-benefit analyses are needed of 'avoidable' non-completion (that which cannot be construed as normal) at two key levels - the personal consequences for young people themselves and their families; the impact on the DES and taxpayer of the suboptimal use

of limited educational resources. It is important that the experiences and views of non-completers figure prominently. They have not featured in the research done to date.

WIDER EDUCATIONAL REFORMS

Non-completion in HE is acknowledged by the sector itself as significant and something it is committed to monitoring and learning from. The greater need is for a system-wide monitoring that embraces secondary schools, FET and HE and for a response that includes reallocating DES expenditure across them.

Some of the new commitments articulated by the new Department of Further and Higher Education, Research, Innovation and Science and the first minister to lead it, have exceptional potential to transform how young people and their families, and adults in employment or seeking it, will assess the skills they

need to pursue their career and life goals and how they can best acquire them,. For example, subsuming the CAO into a new portal that gives equal visibility to FET and HE routes to satisfying careers, enabling students completing their CAO applications from 2022 onwards to choose apprenticeships as well as Level 4 and Level 5 certificate courses run by colleges of further education and ETBs, increasing the ease with people can study part-time and not have to complete programmes in one go but by modularisation spread, if necessary over years, making it easier for people to move from FE to HE, and from HE to FE, using single transferrable credits.

10

Recommendation 10

Many of the new measures announced by the Department of Further and Higher Education do not entail large investments but hinge on educational and training providers, SOLAS and the HEA, and the DES responding with enthusiasm, flexibility and alacrity

to support what the new Department is undertaking. It is important they are not lost sight of by the new Department itself which has a wide and a very stacked in-tray.

Appendix 1. The spatial distribution of HE campuses and FE Colleges/Institutes

Most young people in Ireland have to commute across county and even regional borders to attend a University or take student accommodation near it. Having left their home county for College, relatively few Level 8+ graduates return. In the majority of cases, their working lives after graduation are similarly based on commuting, moving to live living in or near an urban centre in Ireland or emigrating. The agglomeration effects that favour urban concentrations of economic activity generate the bulk of job opportunities for graduates in or near large urban centres.

For example, out of every 100 who graduated with an Honours Degree in 2017,¹ 66 were in full-time employment in Ireland nine months later – 28 in Dublin and 18 in Ireland's three other main urban centres (Cork, Galway and Limerick). Just 20 were employed in the remaining 22 counties.²

[HEA, 2019, Graduate Outcomes Survey. Class of 2017]

When and where HEIs embrace a specific responsibility towards local and regional employers in their hinterlands, cultivate links with them and engage in designing and delivering training suited to their needs, local employment for those who have been trained – and a corresponding boost to the local economy – is much more likely.

For example, DkIT has worked particularly hard to strengthen its links with SMEs as well as large indigenous and multinational companies in its hinterland and to improve its responsiveness to their skills needs. Local and regional employability has been embedded more deeply as a priority in its teaching, learning and careers provision with, for example, a hugely increased recourse to accredited work placements. The results show that 60% of all DkIT graduates are finding employment within the North-Leinster/South-Ulster region.

[Anthony Murray, DkIT, *op. cit.*, 126-7]

A similar development can, and is, taking place when and where ETB Colleges and Institutes are proactive in supplying current local and regional demands for skills but also seek to drive up demand by introducing local and regional employers to the availability of people with highly relevant skills sets and living near at hand. FE Colleges and Institutes have, in many instances, particular experience in engaging with the small businesses, employing less than 50, that account for a large share of all private sector employment. Such companies are particularly prominent in smaller towns and in rural areas.

Viewing HE and FET as a spectrum, and planning – and investing in – their development as an integrated whole, will be important if the full potential of the new TUs, on the one hand, and of FE Colleges and Institutes as envisaged in the new strategy for the sector, is to be jointly realized. The explicit remit that Institutes of Technology have to support enterprises in their hinterlands and foster the dynamism of their local economies looks set to survive their amalgamation into Technological Universities. Current indications are that Technological Universities will keep and build on the network of campuses they acquire from the IOTs they absorb, helping ensure that opportunities for learning and applied research are available outside their regions' urban centre. The decision to form TUs in the first place, however, entails increasing the level and intensity of their research which, in turn, will influence the profile of their staff and student populations. There is scope here for the integrated planning of HEIs and ETBs at the regional level, with the Regional Skills Fora – hopefully – playing a lead role, to proceed in a manner that ensures each can build on their strengths and not only avoid duplication or competition but strengthen each other to the advantage of learners and enterprises whom they jointly serve.

¹ 30,324 students graduated with an honours degree in 2017, the majority graduated from universities (60%), followed by institutes of technology (36%) and colleges (3%).

² Where were the other one-third? Nine were working overseas and 25 not yet in employment (18 engaged in further study, 4 unemployed and looking for work, 3 engaged in other activities).

Appendix 2. Opening the 'black box' of non-completion in higher education

Understandably, a major – even the primary – concern of the HEA study was to explore what lies behind the large differences in completion rates it found across the HEIs and understand better what appears to account for them.

It undertook logistic regression modelling (LRM) to do this. LRM enabled the specific contributions of different factors to the likelihood of an individual completing a given HE programme to be 'controlled for' and the question answered as to what the headline differences in completion rates across the different HEIs and programmes (summarised in Table 9) would look like if each could have had the same mix of profile of entrants enrolling on the same types of courses.

The factors for which the study was able to control for were: **on the side of the institution**, the type (University, Institute of Technology or College) and specific identity of the HEI attended, the ISCED field studied, and the NFQ Level of the programme followed; **on the side of the student**, their gender, whether they are Irish or non-Irish, their age group and their CAO points on entering HEI.³ Two startling findings emerge.

Much of the wide differences in the real life, or headline, non-completion rates observed between Institutes of Technology and Universities is 'explained' by differences in the composition of their intakes. If they were to enrol undergraduates with similar backgrounds (similar CAO points, socio-economic backgrounds, neighbourhood quality, gender mix, age profile, etc.), the model predicts that Institutes of Technology and Universities would have had **similar completion rates to universities** (Table A3).

Two very different interpretations can be made, and responses made, to this type of statistical modelling:

- (i) it confirms that some institutions and some courses need additional resources to match the greater challenge of the intakes they admit;
or
- (ii) it confirms that many students are mismatched to the courses and levels to which they are admitted, and suggests that less resources would be wasted and outcomes improved if alternatives to HE were strengthened.

TABLE A2. LOGISTIC REGRESSION MODEL RESULTS: NON-COMPLETION RATES BY TYPE OF HIGHER EDUCATION INSTITUTE, BEFORE AND AFTER CONTROLS

Types of Institution	Institutes of Technology		Universities		Colleges	
	Before	After	Before	After	Before	After
Non-completion rate	34%	24%	17%	23.5%	6.3%	12.2%
...worst performing	44%	27%	20.3%	26.4%	13.8%	n.a.
...best performing	27%	20%	15.3%	21%	3.5%	10.3%

Source: HEA, 2019.

³ The total number of 2007-08 entrants that could be controlled for in this way was 27,965 (82% of the starting number, mainly because a number of institutions had not recorded CAO points in 2007-08).

References

- i. *Future Jobs, Ireland 2019; Enterprise 2025 Renewed; Climate Action Plan 2019; Project Ireland 2040; Research Priority Areas 2018-2023; Global Ireland 2025; National Skills Strategy 2025; Driving Recovery and Sustainable Growth 2021-2024; Our Rural Future*; etc.
- ii. The gap between the productivity of Ireland's ICT sector and other sectors in its economy is the second widest in the OECD after only the USA (The Financial Times data watch, 24/0620).
- iii. Thompson, S. et al (2016,) *Boosting Britain's low-wage sectors: A strategy for productivity, innovation and growth*, IPPR.
- iv. Op. cit.
- v. It is now widely recognised that the types of goods and services a small subset of multinationals supply from Ireland, *and how they price for them*, can hugely flatter the international standing of Ireland's export performance and thus all GDP-based comparisons. For this reason, the CSO now publishes a measure of the level of domestic activity in the economy separately (Modified Domestic Demand) to allow the performance of the large majority of businesses and workplaces that are focussed on supplying the domestic economy to be tracked.
- vi. The perception of Ireland in some other EU member states as a tax haven for US multinationals is both hard to avoid and yet unfair to a significant extent. For example, Ireland's low rate of corporation tax (12.5%) is higher than the 11.2% effective tax rate US companies currently pay in their home country (nominal tax rate 21%), so complex is the US tax code and widespread and skilled the practice of entirely legal tax avoidance (Edward Luce, *The Financial Times* 16/04/21). US multinationals in Ireland, in fact, paid €7.9bn in tax to the Irish authorities, 'dramatically more than bigger EU economies including France and Germany took in' (Donal Donovan, *The Irish Independent*, 21/04/21).
- vii. OECD and ILO (2017), *Better Use of Skill in the Workplace: Why it Matters for Productivity and Local Jobs*. P.14
- viii. DBEI (2018), *Review of Economic Migration Policy. Report of the Interdepartmental Group*.
- ix. Two of these observations were made independently by different correspondents and columnists on the same day in The Financial Times, 02/04/20 and the third in its edition of 11/04/20.
- x. Cedefop (2015), *Skills Shortages and Gaps in European Enterprises*.
- xi. ESRI analysis carried out for the Low Pay Commission's 5th Report (July 2019).
- xii. OECD (2019), *2019 OECD Skills Strategy: Ireland*.
- xiii. Cedefop (2019). *2018 European skills index*.
- xiv. OECD (2017), *Better Use of Skills in the Workplace: Why It Matters for Productivity and Local Jobs*. Figure 1.3
- xv. OECD (2017), *op. cit.* Figure 1.1. Ireland is the 6th and 8th highest of 29 countries in underusing literacy and numeracy skills respectively.
- xvi. A series update in 2018 that raised Ireland's rate significantly. Eurostat: Participation rate in education and training (last 4 weeks) by sex and labour status [trng_lfse_02], up dated 21/04/20.
- xvii. In this paper, the answer is based solely on OECD work. This exercise, ideally, should also draw on European Commission Work (particularly its monitoring of the Lisbon Strategy's commitment to 'promoting more and better jobs') and the ILO framework for promoting 'decent work' also.
- xviii. It employs nine indicators. Capturing the **quantity** of employment: (1) the employment rate; (2) the unemployment rate; (3) a labour underutilisation rate. Capturing the **quality** of employment: (4) the level of hourly earnings adjusted for their distribution; (5) the proportion of lost earnings that social welfare protection provides when unemployed; (6) a measure of job strain. Capturing the **inclusiveness** of the labour market: (7) the poverty rate among those of working age; (8) the gender earnings gap; (9) the extent to which disadvantaged groups have lower employment rates than the national average.
- xix. On the nine key indicators, Ireland was above average on four, about average on four, and below average on one (OECD, 2019, *Good Jobs for All in a Changing World of Work: the OECD Jobs Strategy*, Table 3.A.)

- xx. On the nine indicators, Ireland was now was above average on one, about average on six and below average on two (op. cit. Table 3.1).
- xxi. Eight of the indicators are below average and one about average (op. cit. Annex Table 3.A.3)
- xxii. Prominent examples include the OECD's annual Education at a Glance reports and the World Bank 2018 report on the EU, Upgrading Europe's Convergence Machine.
- xxiii. The three groups are employees whose skills level is below NFQ Level 5, whose employers have limited capacity to identify and meet the skills needs of their employees, and who work in particularly vulnerable industry sectors.
- xxiv. *Learning to Lead (2020)*, Accenture Ireland.
- xxv. Cedefop (2020), *On the way to 2020: data for vocational education and training policies. Indicator overviews 2019 update*. Fig. 22
- xxvi. The 2018 FIT ICT Skills Audit. Section 2.2, Evolution and Revolution in ICT Technologies. 'Tech Culture'
- xxvii. World Bank Report on the European Union (2018), *Growing United. Upgrading Europe's Convergence Machine*.
- xxviii. Extensive advice is not lacking. The OECD has produced a large number of Covid19 specific reports examining what member states have done and should now do, See
- xxix. The OECD is launched on a 'process of reassessing... which choices labour market policy makers have got more or less right and which they have got wrong' 'whether labour market policy choices – including those consistent with OECD policy advice – have inadvertently contributed to a growth model that has disproportionately benefitted] already high-income segments of the population' (Stefano Scarpetta, editorial, *OECD Employment Outlook 2017*).
- xxx. Irish Independent, 18/06/20. OECD study forthcoming.
- xxxi. For example, Expert Group on Future Funding for Higher Education (2015), *The Role, Value and Scale of Higher Education in Ireland*, Discussion Paper for Stakeholder Consultation January 2015.
- xxxii. Cedefop (2020), *2020 Skills Forecast: Ireland*.
- xxxiii. Eight years allows for the longest courses to be completed and for students who transfer from one course to another or take one or more years out to graduate. By contrast, non-progression, where students do not progress from 1st year to 2nd in the programmes they began, can be established after each 12 month period, and has been reported on by the HEA annually since 2007-08. Over the six years for which reports have published to date, the overall progression rate has been quite stable at 15 % (plus or minus 1).
- xxxiv. In a final chapter, the report employs multivariate logistic regression modelling to probe into what lies behind these wide variations. These are outlined and discussed in Appendix 3.
- xxxv. It is for further analysis, but important to note, that those completing high school in the US go on to enter one of the most polarised labour markets in the OECD world
- xxxvi. The more advanced human skills workers need to collaborate with AI and intelligent machines are termed the "missing middle" in Accenture (2018), *Advancing Missing Middle Skills for Human-AI Collaboration*, and as "socio-emotional" in the World Bank (2018) *Growing United: Upgrading Europe's Convergence Machine*.
- xxxvii. See, for example, Lee Elliot Major and Stephen Machin (2018), *Social Mobility and its Enemies*. Pelican Books, London.
- xxxviii. OECD (2020), *Dream Jobs? Teenagers' career aspirations and the future of work*.
- xxxix. Handel, M. (2012), "Trends in Job Skill Demands in OECD Countries", OECD Social, Employment and Migration Working Papers, No. 143.
- xl. Op. cit., Major and Machin (2018).
- xli. Lee Elliot Major and Stephen Machin (2018), *Social Mobility and its Enemies*. Pelican Books, London.
- xlii. HEA (2019), *An Analysis of Completion in Irish Higher Education: 2007/08 Entrants*.
- xliii. Subjects where the majority of graduates attain 350 points or lower include Hotel, Restaurants & Catering (71 percent), Travel, Tourism & Leisure (70 percent), Other Welfare (65 percent), Secretarial, Retail & Work Skills (62 percent), Management & Administration (57 percent), Sports (58 percent) Childcare & Youth Services (54 percent), Occupational Health & Safety (53 percent) and Computer Use (53 percent).
- xliv. Other fields of study with high proportions of graduates achieving 555 points and above) include Statistics (39 percent), Pharmacy (35 percent) and Veterinary (33 percent).



For more information:

Call FIT today on 01 882 5570
or email info@fit.ie

www.fit.ie

