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Foreword by Dr. Danny O'Hare, Chairman, Expert Group on Future Skills Needs

This report is submitted by the Expert Group on Future Skills Needs to Mary Harney T.D., Tánaiste and Minister for Enterprise, Trade and Employment and to Dr. Michael Woods, Minister for Education and Science. It contains recommendations on In-company Training and forms part of the ongoing work of the Expert Group in monitoring and addressing the skills needs of the Irish economy. This report, which builds on the First and Second Reports of the Expert Group, is one of a series of single issue reports which the Group expects to publish over the next 18 months and which will complement an annual report by the Group. Each annual report will review progress on the implementation of earlier recommendations of the Group and will continue to monitor developments in the labour market and the implications of these for future skills needs. The next annual report of the Expert Group on Future Skills Needs will be published in Spring 2001.

The training and further education of those already at work is critical, particularly in the context of the increased competition faced by companies and the need for these companies to accelerate the adaptation of new technologies if they are to survive and thrive. In this context, in-company training, sometimes defined as continuous vocational training for those at work, has an important role to play in easing the current tightness in labour markets. With this in mind, the Expert Group on Future Skills Needs considered that an examination of in-company training needs generally was required. The Group was also conscious that previous research has shown that an inadequate amount of training was being done in Irish industry, particularly in indigenous SMEs in traditional sectors and that it was not known how companies might now be changing their approach to training in response to labour market shortages.

The research on which the findings of the Group are based was qualitative rather than quantitative. A series of in-depth interviews was carried out to identify barriers to training so that appropriate policies to facilitate an increase in such training could be recommended.

The Group concluded that the barriers to in-company training identified in this report may in some instances be difficult to overcome but are in no case insurmountable. Recommendations are made which, if accepted for implementation by all those concerned – Government, employers, unions and individual employees – will bring about substantial benefits to all concerned.

As Chairman of the Expert Group, I would urge that our recommendations be implemented, as part of the national partnership commitment to maintaining a successful balance between the welcome labour demand of a flourishing economy and the continuing availability of a skilled workforce to meet that demand.

I would like to thank Mr. David Lowe of Goodbody Stockbrokers, who chaired the Sub-Group, and the other members of that Sub-Group who contributed to the work on this report.

Dr. Danny O'Hare

Chairman

Expert Group on Future Skills Needs

Executive Summary

SUMMARY

Maintaining cost competitiveness is the key to Ireland's future economic progress. With current pressures in the economy, the retention of cost competitiveness requires renewed efforts to relieve excess demand pressure in the labour market while at the same time accelerating the pace of industrial adaptation.

To date, efforts to increase labour supply have focused primarily on quantitative measures designed to raise the numbers in the labour force. These have included fiscal incentives, encouraging married women to enter or to return to employment, and easing restrictions on the entry of non-EU immigrants to the domestic labour market.

These quantitative measures to raise the size of the potential labour force must now be reinforced by qualitative measures. An increase in the knowledge, skills and competence of those already at work would represent an addition to the effective labour supply since it would enhance the productive potential of the national workforce. By raising labour productivity, enterprise training can reduce the physical labour input per unit of output. Hence, enterprise training, defined as continuous vocational training for those at work, has an important role to play in easing the current tightness in labour markets.

With this in mind, the Expert Group on Future Skills Needs considered that an examination of in-company training needs generally is timely. Apart from the fact that, increasingly, continuing education and training is an important determinant of future skills supply in all sectors of the economy, other considerations which the Expert Group had in mind were:

- previous research has shown that an inadequate amount of training was being done in Irish industry generally and particularly in indigenous SMEs in traditional industries, and
- it was not known how companies might now be changing their approach to training in response to labour market shortages.

The report is based on and draws extensively from a study entitled *In-Company Training* commissioned by the Expert Group from Mclver Consulting and Tansey, Webster, Stewart.

Scope of the Report

This report was prepared in parallel with a number of other studies, such as those being undertaken by IBEC and FÁS. To avoid duplication, the report focused on:

- companies employing under 250 people, and
- two sectors which are currently subject to particular changes that have a bearing on training needs: construction and traditional manufacturing.

Furthermore, in order to complement the considerable survey work being done by other studies, the research was qualitative rather than quantitative. Through a series of in-depth interviews with some 40 companies, it sought to identify barriers to training so that appropriate policies to facilitate an increase in such training could be recommended.

Findings of the survey

An immediate finding, which appears to be backed up by parallel quantitative work, is that there has been a dramatic increase in the amount of training undertaken by the companies interviewed. There are many possible explanations for this, but of itself, it represents a significant change relative to previous work in the sector.

While the research focused specifically on the needs of companies, other issues become clearly visible as the labour market tightens. These include the following:

- employers needs
- the public good and
- the needs of the individual.

It is important to balance these if a concerted effort is to be made to address the needs of the workplace in Ireland in years to come. The needs of companies may not necessarily be aligned with those of individuals and the public good. Companies are finding that there are problems in selecting employees with appropriate skillsets, not just for specific employment, but for the workplace in general. Companies may be able to “work round” these issues in the short term. However, it is apparent that, if Ireland is to achieve its ambition of building a high value added workforce, the fact that some employees do not have the appropriate educational grounding on which to build a career through training and general development needs to be addressed. There is a clear implication that the distinction between education and training will become more blurred as labour market participation rises. It is therefore increasingly important to look at whether benefits from particular training/ educational initiatives go primarily to the individual or to the company and for public policy to ensure that training in the basic skills applicable to a broad range of employment situations receive particular attention.

The key findings of the study, in terms of the barriers to training identified, relate to public policy issues, demand constraints, supply constraints and organisational issues. There is a heightened awareness of the need of **public policy** to focus on removing barriers to improving supply and on building **organisational structures** to match **demand** and **supply** more effectively.

(i) Public Policy issues

Literacy / Numeracy – Significant numbers of those in the workforce, of all ages, have low literacy and numeracy skills levels. This was not seen by companies interviewed as an urgent problem – many companies can still operate satisfactorily with a proportion of operative level staff not being fully literate. However, as information technology becomes more pervasive, the number of jobs that can be done without good literacy skills is likely to fall.

Regional Location – A regional location adds to the costs and time pressures associated with training (travel and subsistence for trainees or trainers), and makes it more difficult to access the full range of training that would be available in Dublin.

Attitudes to Older People – There are some perceptions that older people are less adaptable, particularly in acquiring IT skills.

(ii) Demand Constraints

Time Barrier – Many companies have difficulties finding time for their people to do enough training. Senior managers report that rapid change has created learning needs that they do not have time to address.

Cost Barrier – The cost of training constrains less profitable companies, and companies that do not have a good understanding of how to profit from training. As the trainee and society, rather than the company, capture some training benefits, there is a tendency to avoid incurring costs associated with these benefits.

(iii) Supply Constraints

Access Ability/Price Barrier – Much of the training that could be useful is either excessively difficult or costly to access. Some types of training are not available within Ireland.

(iv) Organisational issues

Information Gap – Companies often have difficulty in finding the training that they need, and in being assured in advance that the training they are buying is relevant and of good quality. There is a gap in organisational mediation between suppliers and users of education and training. There is no comprehensive system of accreditation of trainers.

Understanding Gap – There are gaps in management understanding of training in some companies. There are also gaps in management understanding of high productivity approaches to work organisation that require high levels of training. This includes World Class Manufacturing. It also includes advanced e-Business implementations, where e-Business has a pervasive impact on working practices within the company.

Organisation Gap – In some companies, the volume and quality of training is undermined by an ad-hoc approach.

Recommendations

The Expert Group makes the following recommendations, which it believes will go some way to breaching the barriers to the much more extensive in-company training that is required if Irish firms are to maintain competitive advantage and employees are to retain their employability through regular upskilling.

Recommendation 1

The Department of Education and Science, IBEC and ICTU should develop a literacy and numeracy initiative suitable for delivery in the workplace, with tutorial support being available from adult education services. This should complement existing adult education services, which are mainly delivered in colleges. The title and delivery of the initiative should have regard for the sensitivities associated with low literacy and numeracy levels, focusing on the improved communications skills which such an initiative would provide. The initiative should target both qualified and unqualified individuals with low literacy and numeracy levels.

Recommendation II

The Institutes of Technology, FÁS, Enterprise Ireland and the Department of Education and Science should develop initiatives aimed at greatly increasing the volume of education and technological training undertaken by operative and craft level staff. Flexible delivery mechanisms should be promoted and these should be available on a wide regional basis. The initiatives should be based primarily on part-time education and training and in subjects relevant to the employment skills needs of participants.

Recommendation III

The new training and education initiatives should be delivered on a number of levels:

- Programmes aimed at developing people across an industry, devised through co-operation between an industry organisation and the delivering institution, with inputs from the relevant trade unions and the funding body. These programmes might, in some cases, follow the format of the existing Accelerated Technician Programme.
- Major single company initiatives devised with input from the delivering institution and from the relevant trade unions and the funding body.
- Training aimed at one or more staff, delivering training to meet specific skills needs. Ideally it should be possible for a single individual to take one or more courses or course modules, leading to ACCS¹ certification or whatever certification FÁS would usually provide in the area.

Recommendation IV

The Department of Finance and the Department of Education and Science should review the implementation of the tax relief schemes for higher education with a view to encouraging higher take-up of the schemes.

Recommendation V

When additional resources are available to the National Training Fund, the larger part of such additional resources should be made available for programmes supporting adaptation to industrial change and for enterprise training. Since the Fund is being financed wholly by employer contributions, this would involve no additional expenditure by the public authorities.

Recommendation VI

FÁS, EI and Forfás should examine how best to undertake a regular company-level survey of training in Ireland.

Recommendation VII

The HEA and the Department of Education should prepare statistics on part-time education annually, covering intake numbers, student numbers, output numbers and employment statistics.

Recommendation VIII

The Government, employers and trade unions should jointly examine the possibility and implications of introducing entitlement to training leave. This examination should include costing and benchmarking against best international practice.

Recommendation IX

Enterprise Ireland should continue to develop its approach to funding, in the context of overall development and HRD policies, so that companies' growth and competitiveness increases.

¹ ACCS is an acronym for "Accumulation of Credits and Certification of Subjects". ACCS is a scheme which allows students instead of studying an entire course - to study one or more of the subjects on any one of the 400 plus courses approved by the NCEA all over Ireland, to gain credits for these subjects and to accumulate those credits towards a National Certificate, Diploma or Degree. The ACCS scheme was established by the National Council for Educational Awards (NCEA) in October 1989.

Recommendation X

The Government, employers and trade unions should continue and further develop group-based training schemes, such as the SkillNets and PLATO initiatives; others administered by FÁS and Enterprise Ireland; and schemes for co-operative purchase of training, similar to those already undertaken by ICTU, IBEC and the CIF.

Recommendation XI

A national register of approved trainers should be established and made available on an appropriate website. This should be established by FÁS, in association with EI and other appropriate bodies, and build on the registers already in place.

Recommendation XII

FÁS and Enterprise Ireland should undertake an awareness campaign to highlight:

- **The major increase in training that is underway, and the dangers faced by businesses which fail to train adequately, and**
- **Success stories relating to the training of older people and of people from disadvantaged backgrounds.**

Recommendation XIII

FÁS and Enterprise Ireland should promote the benefits of technology-enabled training in SMEs. The emphasis in undertaking this work should be placed on:

- **Research into technology-enabled training,**
- **Identifying providers of technology-enabled training that is relevant and culturally appropriate to Irish SMEs,**
- **Undertaking demonstration projects with SMEs, and**
- **Training in best practice for interface agency staff.**

Recommendation XIV

The Adult Basic ICT skills programme agreed under the Programme for Prosperity and Fairness should be made available to those who have completed school, but do not have post-second level qualifications.

Recommendation XV

The National Qualifications Authority (NQA) should have a dedicated budget for certification of in-company training which should be sufficient to research the area and to pilot possible approaches.

Recommendation XVI

The National Qualifications Authority (NQA) should take into account the increasing importance of internationally recognised industry qualifications in IT-related skills.

Recommendation XVII

A renewed effort should be made by FÁS and EI to ensure that more small companies have a senior person with responsibility who has basic skills in training management. These agencies should take the lead in developing and implementing a short, flexible training programme, which would enable managers to acquire the skills, needed for training identification and management.

1. Introduction

1.1 The Expert Group on Future Skills Needs (The Expert Group)

The Expert Group was set up by the Government in late 1997, as part of a Business, Education and Training Partnership to assist in the development of national strategies to tackle the issue of skills needs, manpower needs estimation, and education and training for business. The three strands of this partnership are:

- The Business, Education and Training Partnership Forum,
- The Expert Group on Future Skills Needs, and
- The Management Implementation Group.

The First Report of the Expert Group, published in 1998, which focused on the Information Technology (IT) sector, recommended that “a review of training and education priorities for existing employees should be undertaken and the practical policies required to increase such training and education as an aid to competitiveness.”

This report has taken up this recommendation, to apply more widely to in-company training needs generally. The Expert Group adopted this approach for the following reasons:

- continuing education and training is increasingly an important determinant of future skills supply in all sectors of the economy. An adequate supply of skilled workers is an essential ingredient in maintaining our competitive advantage.
- previous research has shown that an inadequate amount of training was being done in Irish industry generally and particularly in indigenous SMEs in traditional industries.
- it was not known how companies might now be changing their approach to training in response to labour market shortages.

The report is based on and draws extensively from a study entitled In-Company Training commissioned by the Expert Group from Mclver Consulting and Tansey, Webster, Stewart.

1.2 Scope of this Report

This report was prepared in parallel with a number of other studies, such as those being undertaken by IBEC and FÁS. The report focused on:

- companies employing under 250 people, and
- two sectors, which are currently subject to particular change that, have a bearing on training needs: construction and traditional manufacturing.

In order to complement the considerable survey work being done by other studies, the research was qualitative rather than quantitative. Through a series of in-depth interviews with some 40 companies, it sought, in line with the recommendation of the 1998 Report, to identify barriers to training so that appropriate policies to facilitate an increase in such training could be recommended.

1.3 Background

An immediate finding, which appears to be backed up by parallel quantitative work, is that there has been a dramatic increase in the amount of training undertaken by the companies interviewed. There are many possible explanations for this but, of itself, it represents a significant shift in the context relative to previous work in the sector. While the research, in line with its remit, focused specifically on the needs of companies, other issues become clearly visible as the labour market tightens. There are three issues which are reflected in this workforce change:

- employers needs,
- the public good, and
- the needs of the individual.

It is important to balance these if a concerted effort is to be made to address the needs of the workplace in Ireland in years to come.

1.3.1 Public Policy context

As in so many areas of the Irish economy, there appears to have been a change in the requirements of policy – rather than simply stimulate general demand, the focus now is on removing barriers to improving supply, and on building organisational structures to make demand and supply match more effectively.

The needs of companies may not necessarily be aligned with those of individuals and the public good. Companies are finding that there are problems in selecting employees with appropriate skillsets, not just for specific employment, but for the workplace in general. Companies may be able to “work round” these issues in the short term.

However, it is apparent that if Ireland is to achieve its ambition of building a high value added workforce, there is a need to address the fact that some employees do not have the appropriate educational grounding on which to build a career through training and general development. There is a clear implication that the distinction between education and training will become more blurred as labour market participation rises. It is therefore increasingly important to look at whether benefits from particular training/educational initiatives go to the individual or the company and for public policy to ensure that training in the basic skills applicable to a broad range of employment situations receive particular attention.

1.3.2 Structure of report

There is a heightened awareness of the need for **public policy** to focus on removing barriers to improving supply and on building **organisational structures** to match **demand** and **supply** more effectively.

The Expert Group has therefore addressed the issues for in-company training under four headings in Sections 2 and 3 of the Report:

- the public policy context,
- demand for training,
- supply of training,
- organisational issues.

Barriers to training are identified under the same headings in Section 4.

The Group’s recommendations in Section 5 propose organisational measures to achieve a better match between supply and demand for training and suggest broader policy initiatives to facilitate this objective.

2. The Context

2.1 Public Policy

2.1.1 *National Economy*

The Irish economy has experienced remarkable growth in recent years. Since 1994, real Gross National Product has been advancing at an average annual rate of just under 8%. This economic growth has yielded rich dividends. The numbers at work, at 1.65 million, are almost half a million higher than a decade ago. Unemployment has declined to 4.7% of the workforce. Living standards have risen due to the combined effects of higher employment levels, real income gains and declining average tax rates. Corporate profitability has increased appreciably.

This sustained economic expansion has been facilitated by the spare resources available in the economy at the beginning of the boom. Virtually all of these resources have now been called into production. There is little remaining slack in the economy. In particular, the labour market has tightened. Surveys of employers² now indicate that labour is difficult to recruit and to retain in virtually all sectors and in most occupations. The economy is not only suffering from specific skill shortages in particular market segments; it is experiencing a general scarcity of labour.

Two underlying factors have been particularly important in underpinning Ireland's recent economic success. First, structural shifts in production, most notably from farming to high technology industries, which have been facilitated by extensive inflows of foreign direct investment. The second, and related, reason has been the regaining of cost competitiveness due to the combined effects of productivity gains, exchange rate movements and, until recently, low inflation. As a result of these factors, relative unit wage costs in Ireland, when measured in a common currency have halved over the past fifteen years³.

Maintaining cost competitiveness is the key to future economic progress. With current pressures in the economy, the retention of cost competitiveness requires renewed efforts to relieve excess demand pressure in the labour market while at the same time accelerating the pace of industrial adaptation.

To date, efforts to increase labour supply have focused primarily on quantitative measures designed to raise the numbers in the labour force. These have included fiscal incentives encouraging married women to enter or to return to employment and easing restrictions on the entry of non-EU immigrants to the domestic labour market.

These quantitative measures to raise the size of the potential labour force must now be reinforced by qualitative measures. An increase in the knowledge, skills and competence of those already at work would represent an addition to the effective labour supply since it would enhance the productive potential of the national workforce. By raising labour productivity, enterprise training can reduce the physical labour input per unit of output. Hence, enterprise training, defined as continuous vocational training for those at work, has an important role to play in easing the current tightness in labour markets.

² Survey commissioned for the Expert Group on Future Skills Needs "National Survey of Vacancies in the Private Non-Agricultural Sector 1998, FÁS, ESRI, Forfás, 1999."

³ Central Bank of Ireland, Quarterly Bulletin, Winter 1999, Statistical Appendix, Table E2.

2.1.2 Public Investment in Education and Training

Investments, whether in physical or human capital, increase the economy's capital stock and hence its future productive capacity. Ireland has invested heavily in education and training in recent decades and this has played a major part in facilitating the step change in economic performance.

However, the approaches adopted towards investment in education and in training have been fundamentally different. Educational investment expenditures are overwhelmingly funded by the state. In the training sphere, public investments have been concentrated primarily on initial training, unemployment prevention and the reintegration of the socially excluded.

Enterprise training, defined as continuous vocational training for those already at work, has been afforded relatively less support from the public purse. The reason for this is clear: public policy has decided that enterprise training is largely the responsibility of enterprises and those who work within them. Over time, this view has been refined, so that state intervention in enterprise training markets is now deemed appropriate only to correct generalised market failures or to address specific market imperfections.

The current National Development Plan 2000-2006 does not deviate substantively from the established approach. Enterprise training continues to rank low in the Plan's hierarchy of investment spending. The most explicit, but not the only, measure directed at encouraging enterprise training is the 'Training for Business' measure in the Employment and Human Resources Development Operational Programme. It has been allocated £200 million or 2% of the total OP budget of £9.9 billion. The most important single instrument in the 'Training for Business' measure provides cash grants to enterprises to purchase their own training either on a stand-alone basis or as the training component of company development programmes.

At the same time the European Council, at its meeting in Helsinki in December 1999, issued three Employment Policy Recommendations to Ireland, one of which urged an:

"intensification of efforts to expand and increase the in-house training of employees".

In the light of an enhanced enterprise training performance, and bearing in mind the EU Employment Recommendation to Ireland, it is appropriate to examine what steps need to be taken to achieve further improvements in in-company training:

- The established principles guiding state intervention in enterprise training markets appear sound and well balanced. There is little justification for substantial further incursions by the state into enterprise training markets.
- The state should concentrate its efforts on the correction of market failures and the removal of obstacles to SME training. Group Training programmes offer one example of an opportunity to address both objectives. The state should also recognise that as skills needs increase in the labour market, and a higher proportion of people with lower educational achievement find work in a booming economy, an appropriate structure must exist to ensure that early educational disadvantage does not inhibit the opportunity for upskilling in the workplace.
- In view of the competitive challenges that Irish industry faces, in an enlarged single market with a single currency over the next decade, there is a need to accelerate enterprise investments in adaptation training. The new National Training Fund, financed by a 0.7% payroll contribution from employers, is the appropriate mechanism for increasing the flow of collective funds to industrial adaptation training.
- In these circumstances, and given that the National Training Fund is financed by enterprises, industry should have a voice in the allocation of resources from the Fund.

While the main focus of this report is on meeting the skills needs of enterprises, as opposed to the lifelong learning needs of employees, it is important that those learning needs be addressed. The

recently published White Paper on Adult Education is an important contribution to this process. The Task Force on Lifelong Learning is also providing a useful forum for considering how best to respond to these needs. In terms of equity as well as economic efficiency, there is a strong case for providing financial support for education or training of those who left school early, and who missed out on higher education. Increasing support for higher education and reduced numbers claiming unemployment have strengthened the argument on the basis of equity.

The relatively low level of state financial support for enterprise training shifts the locus of decisions about the amount of training provision to companies themselves. Individually, enterprises will determine their training investments in the light of the prospective returns of such investments.

2.2 Demand Issues

2.2.1 *Enterprise Training*

Enterprise training can exercise a decisive role in facilitating industrial adaptation. A central finding of the survey contained in this report is the rapidity with which industrial adaptation is proceeding in Irish industry, even in traditional sectors such as clothing. This finding is supported by other recent surveys where the principal reasons for training provision by enterprises have been found to be:

- the drive to achieve competitiveness-enhancing productivity growth,
- the introduction of new equipment and technologies, and
- helping employees to adapt to change.

Recent evidence suggests that enterprises are rising to the training challenge. The survey of companies carried out for this report indicates a substantial increase in training activity, particularly in the spheres of adaptation training and training in health and safety. Again, this is reflected in other recent research. An IBEC National Training Survey has found that, in 1998, training expenditures were equivalent to 3% of payroll, double the 1.5% of payroll spent on training in 1994. Amongst enterprises with training budgets, the Chambers of Commerce in Ireland found, in a survey taken in March 2000, that half intend to spend more on training this year than last, with only 7% intending to spend less.

Enterprises finance most of their own training costs, so that, in aggregate, the role of state funding is helpful but peripheral. The state has made it clear on many occasions that it sees the provision of enterprise training primarily as the responsibility of enterprises themselves. The state has defined its role as a limited one, restricted to correcting market failure and, where possible, removing market imperfections.

2.2.2 *Discretionary and Non-Discretionary Training*

In practice, enterprises may have less control over the amounts of training they purchase than the theoretical literature suggests. Forces in the external environments may shape, in large measure, the amounts of training that are undertaken.

Thus, legal requirements may necessitate increased levels of training in, for example, health and safety. Higher labour turnover rates in a tight labour market will require increased provision of induction training. Where new entrants have low literacy or numeracy skills levels, remedial training may be necessary to ensure a productive contribution to the enterprise. Finally, and most importantly, the need to maintain competitiveness requires rapid adaptation, including investments in new physical plant and machinery. The installation of new systems and new equipment inevitably requires an increase in adaptation training if potential productivity gains are to be realised.

2.2.3 Ireland's Training Performance

Reviewing Ireland's training performance during the 1990s, training expenditures were found to be low, at 1.5% of payroll in 1994. A skills gap was also revealed, in terms of ability to perform specified tasks, between Ireland and EU competitor countries. More recently, training performances appears to have improved. The recent IBEC training study shows enterprise training expenditures at 3% of payroll in 1998, with smaller companies putting in an above-average performance. The upswing in training activity is supported by a survey conducted by the Chamber of Commerce in Ireland, showing that 43% of firms surveyed had a staff training budget in March 2000.

In firms with 50 or fewer employees, enhancing competitiveness/productivity and new equipment/helping employees to adapt to change were the main reasons given for training.

2.2.4 Forces Shaping Enterprise Training in the Future

In the light of this review and analysis, the two principal forces seen as shaping the scale of enterprise training in the future are profitability and labour scarcity. Rising profitability, itself an index of competitiveness, generates the cash to finance enterprise training. Tight labour market conditions require that the best use be made of scarce labour resources, particularly by augmenting labour's productive capacity.

2.3 Supply Issues

2.3.1 State Intervention

Appropriate areas for state intervention in the enterprise domain include the following:

- The correction of market failure in general training markets, where enterprises may under-train because of the difficulties in capturing the returns on training,
- Balancing the needs of the individual, the enterprise and the national economy, and
- Overcoming structural and financial market imperfections faced particularly by SMEs.

State interventions have been designed to address each of these issues. For example the SkillNets programme was introduced to promote collaborative training amongst SMEs to correct potential market failure⁴. The Training Support Scheme, established by FÁS in 1990, focuses on the promotion of training in small and medium-sized enterprise and in the following years, the focus on SMEs has increased⁵. The National Training Fund represents a new collective funding mechanism.

4 Technically, the objective is, through collaborative training, to internalise the external 'spillover' effects arising from training by individual enterprises.

5 'Enterprise-Related Training and State Policy in Ireland' by Philip O'Connell and Maureen Lyons, ESRI, May 1995, pps 13-14.

2.3.2 Market Failure

The review of the theoretical literature suggests that, in free market conditions, enterprises may underinvest in general training – where the enhanced skills can be employed in many companies or sectors – because of the uncertainty of capturing the returns. Essentially, enterprises cannot guarantee that they will capture the return on investments in training because workers may switch jobs when their training is completed.

Additionally, in such circumstances, it is economically rational for enterprises to avoid training altogether. Instead, they might seek to take a ‘free ride’ on the training provided by others, acquiring the skilled workers they need by ‘poaching’ labour from competitors.

For these reasons, left to themselves, markets will provide insufficient amounts of enterprise training. Such potential market failures have induced corrective public policy responses. In the Irish case, these have ranged from the ANCO ‘Levy/Grant’ scheme, introduced in 1967, to the current ‘SkillNets’ approach which seeks to promote collaborative and co-operative training.

In addition to generalised market failure, small and medium-sized enterprises face particular difficulties in providing training. With few exceptions, in Ireland, as in the United States, SME’s spend proportionally less on training than larger firms do.

Most of the specific difficulties encountered by SME’s in the training domain stem from enterprise size. These include: disruption of production where employees or managers are released for training relative to sales and profits; difficulties in accessing the specific types of training required; insufficient appreciation of the benefits of training; and short-term planning horizons.

2.3.3 Equity Considerations

Ireland’s education revolution is of relatively recent vintage and advances have been concentrated in the senior cycle of second-level education and in post-second level.

However, many of those currently in employment have missed out on the benefits of free education at both second and third levels, either because of age or because of initial social and economic disadvantages.

The provision of state financial assistance towards the costs of education and training for those already at work, in addition to raising workplace skills, would provide a measure of compensation for those who did not enjoy the opportunity of continuing in education.

In the light of this review and analysis, the two principal forces seen as shaping the scale of enterprise training in the future are profitability and labour scarcity. Rising profitability, itself an index of competitiveness, should help to generate the cash to finance enterprise training. Tight labour market conditions require that the best use be made of scarce labour resources, particularly by augmenting labour’s productive capacity and to assist in the retention of staffing by SMEs.

2.3.4 National Training Fund

In institutional terms, the establishment of the new National Training Fund, though involving no initial additionality, should enhance the quantum of enterprise training as the resources available to the fund increase over time.

2.3.5 Training Information

Currently, the supply of information about training available is patchy. As a result, SMEs, which have limited time and resources available to find the quality training they need, often have a great deal of difficulty in identifying where it could be sourced.

The existing process of sourcing training is often high cost, requires a high time commitment, and has an uncertain outcome. The process required in future is one where information can be sourced quickly, where standard training can be purchased without a significant time commitment, and where checking on the quality and relevance of training is quick and reliable.

2.3.6 Training Promotion

While most companies now understand the competitive importance of investing in training, not all companies are yet in this position. It would be desirable to bring the threat that a lack of training poses to some businesses, and to the long-term prospects of their employees, to the attention of those businesses. It would also be desirable to draw the attention of businesses to success stories in the training of categories of people who might sometimes be assumed not to give a good return on training, such as older people and people from disadvantaged backgrounds.

2.3.7 Group-based approaches to training

Group-based approaches can overcome some barriers to training by SMEs, through creating scale efficiencies, and through supporting peer learning across different companies. Group-based approaches do not however meet all training needs. Indeed, it is likely that the majority of training will always be on public (open to all) or in-company training courses. However, the move towards more emphasis on group-based training is positive.

2.4 Organisational Issues

Most Irish firms are small and small Irish firms are very small in an international context. The Task Force on Small Business found in 1994 that in Ireland:

“Around 98% of enterprises have fewer than 50 persons engaged in them and around 90% have fewer than ten persons. Small businesses account for around half of private sector employment”⁶

It is a consistent finding of training surveys across industrial countries that small firms provide less training than larger firms do. Thus, in the United States in 1995, a National Employers’ Survey found those businesses:

“that employ less than 50 workers in manufacturing and 100 employees in non-manufacturing are much less likely to provide formal training programs for their workers than other larger-sized establishments”⁷

⁶ Task Force on Small Business, Stationery Office, March 1994, page 118.

⁷ ‘Beyond the Incidence of Training: Evidence from a National Employers’ Survey’, Lisa Lynch and Sandra Black, NBER Working Paper No 5231, Cambridge, Mass., 1995, p10.

Amongst the major structural impediments to training in SMEs are the diseconomies arising from small operational scale. Sourcing training for one employee may take as much effort as arranging training for twenty people. Small firms are unlikely to generate the volumes that would support in-house provision, so that staff may have to be sent to distant locations for training. Finally, SMEs may find it difficult to source training that meets their needs and purchasing off-the-shelf training programmes may involve much waste. Other factors contributing to lower training levels in SMEs include:

- short operational time horizons, with management focus being directed at survival and short-run profitability,
- labour indivisibility, especially difficulties in scheduling the release of management, supervisors and shopfloor workers for off-the-job training,
- perceived high costs of training - particularly management training - relative to sales and/or profits,
- higher turnover or 'quit' rates for trained workers due both to labour 'poaching' by larger firms and to the lack of adequate career progression paths due to the small scale of operations,
- for reasons of scale, SMEs find it difficult to develop internal labour markets.

All of these factors militate against training in smaller enterprises relative to their larger counterparts.

Reviewing the obstacles to training in Irish SMEs, the White Paper on Human Resources Development concluded:

“...survey work consistently shows that the training function is undertaken more assiduously by larger firms than is the case for smaller firms. While deficiencies in human resource development and training exist in firms in all sectors and size categories, these deficiencies are greater in the small-sized firms that predominate in Ireland”.⁸

8 'Human Resource Development', White Paper, Department of Enterprise and Employment, Stationery Office, May, 1997, page 59.

3. Findings from the Interview Survey

3.1. Introduction

Forty in-depth interviews were undertaken with traditional manufacturing and construction SMEs. Companies which were considered likely to have interesting views and a mix of companies considered likely to have strong and weak approaches to training was chosen, with a significantly greater weight being placed on companies considered likely to have a strong approach.

Survey findings – General

3.2 Public policy issues

The labour market is currently characterised by

- shortages in almost all occupational categories,
- skills deficiencies among the people who are available,
- high employee turnover (particularly among operatives), and
- rising labour costs.

Labour shortages are affecting almost all of the companies interviewed. Recruitment and employee retention has become major management issues.

The impact on training has been substantial:

- Most companies say that they have to place more emphasis on training staff internally, rather than recruiting from outside.
- Many companies say that increases in employee turnover, particularly at operative level, are causing them to increase the volume of induction and further training that is required to make the new employee fully productive.
- Most companies indicate that the people they are recruiting into entry level jobs now require more training than was the case in the past.
- Some enterprises explicitly indicate that filling their vacancies requires poaching employees from other firms.
- A few companies indicate that they are forced into a trade-off between training and employee retention, and choose not to train as much as they might otherwise do for fear of losing employees whose skills have been made more marketable. More companies, however, train partly to promote employee retention, on the basis that an employee who is trained and treated well is less likely to wish to leave.
- Significant numbers of companies are changing the content of jobs to allow them to be done by a person with less skill. Typically, this involves some automation.

Overall, the impact of labour shortages has been to reinforce the view that the amount of training done must increase. Most companies interviewed have decided that they will not thrive without a high level of training, and that the risk of losing people is less of a concern than the certainty of business problems if they fail to train adequately.

Survey findings – Manufacturing SME's

3.3 Demand for Training

3.3.1 Changes in Training

The survey showed that there had been substantial increases in the amount of training undertaken in almost all of the companies interviewed over the last three to five years.

The main drivers of change identified are adaptation to more competitive business conditions, and to technological change. Competitive forces have been strengthened by the progressive completion of the EU single market, the advent of the Euro, and market deregulation. Investment in new technologies has become essential to underpin continuing competitiveness. At the same time, improving profitability has facilitated SMEs in raising their investment in training.

Key areas of adaptation have included:

- Increasing penetration of information technology,
- Increasing rate of introduction of new technologies,
- Multi-skilling,
- Increasing emphasis on soft skills,
- Responding to regulations, legal requirements and liability issues,
- Improved organisation for training.

Over the next two to three years, most companies expect to further increase the amount of training they do. This will be driven by much the same factors that have driven increases in training in the recent past. Several of the companies interviewed plan to take a more structured approach to training in future.

3.3.2 Skill Shortages & Deficiencies

Companies interviewed identified skills shortages in a very wide range of areas. In virtually all cases where the issue was raised, shortages were seen as exerting significant upward pressure on wages. Four areas were identified as posing particular problems:

- Operatives
- Production and maintenance craftspeople and technicians,
- Production supervisors,
- Office / administrative staff.

3.3.3 Main Forces Driving Training

When questioned about the factors that drive training, companies gave a wide range of responses, which included new products, capital investment, changes in process, product quality, employee retention, changing working practices, compliance with regulations and having people to delegate to. On deeper questioning, it emerged in virtually all cases that they train to maximise their profitability. Where, in the past, they may have seen training as a cost, they now see it as a key part of the mix of activities that produces profits. Even in the case of health and safety, they train as much to protect the business from liability and damage to reputation as to comply with regulations.

When asked about the relationship between training and profitability, most companies indicated that improved profitability has enabled them to train more. Part of the reason for this was that improved profitability has enabled them to invest more in new equipment and changed working practices, and that the increase in training has followed from this investment.

3.3.4 Demand for Training from Employees

Almost all companies interviewed reported that they do not experience much unprompted demand for training from their employees. Most companies interviewed get occasional requests for training, and do their best to respond. Often, the request is for support through a part-time education programme, and most companies say they are happy, or even enthusiastic, to respond. Often they refund the fees after examinations are passed.

3.3.5 Discretionary and Non-Discretionary Training

It is often thought that companies have considerable choice about the amount of training they undertake. However, the amount of choice perceived by many of the companies interviewed was quite limited. These companies train, in the main, because it is a prerequisite for doing what they want to achieve. Non-discretionary training described by interviewees arose from purchases of new equipment; implementation of improvement programmes; use of a team-based and/or multi-skilled form of work organisation; the need for training in health & safety; or high levels of employee turnover, which increased the requirement for induction training.

Some companies felt that they had significant discretion, and that factors such as grant availability and profitability would have a significant direct impact on their training volume.

3.4 Training Supply Issues

3.4.1 Quality of People Recruited

Some companies interviewed say that the quality of people they require is not changing. Others say that ideally they need to recruit higher quality people than in the past, even into low level jobs, because the extent to which these people have to communicate with others, solve problems and use technology is increasing.

In the view of most of the companies interviewed, the quality of the people available for recruitment is now significantly lower than in the past. A number of companies also held the view that the quality of people with qualifications has fallen.

Many companies highlighted motivation of new recruits as a problem, particularly at operative level, but also in other low-level positions.

3.4.2 Barriers to Training

The main barriers to training mentioned in interviews were:

- the need to commit time that is very scarce in companies that are very busy,
- costs, including both direct and indirect costs, and
- difficulties in identifying and sourcing good quality training that meets the specific needs of the company, because it is difficult to find information, because it is difficult to identify a good quality supplier from the mixed quality range available, because there is no good quality training available, or because the training needed is unavailable in Ireland.

3.4.3 Internet and Training

Most of the companies interviewed saw their move to using the Internet as being a natural progression in their increasing use of information technology. It forms part of a wider picture, where companies are moving towards giving everyone IT skills, and making use of information technology an integral part of every job. The increasing use of IT is leading to the appointment of IT managers, where there was no IT function before, and is leading to the appointment of staff to assist the IT manager, where there was already an IT function.

There is an Internet-specific role emerging – that of webmaster – which is typically being added onto the job of a middle manager within an SME. The role of the webmaster is to work with senior management to decide what is required, to manage a design company, and to update and maintain the web site once it is running.

As information technology changes continually, IT staff and webmasters require a significant amount of continuing training.

3.4.4 Technology-Enabled Training

A number of companies interviewed have tried Computer-Based Training (CBT), mostly for IT training, but it has not generally been a success to date. Problems have included insufficient access to PCs, an overly busy working environment and (for some soft skills training materials) cultural differences between Ireland and the US.

However, these companies, and others that have looked into CBT, say that they expect the problems they see now to be resolved in the fairly near future, and they expect to make significant use of technology-enabled approaches to training in years to come. Within limits, technology-enabled training has the potential to improve the effectiveness of training in SMEs, while reducing inputs, and reducing the disruption to the organisation.

3.4.5 Training Support Services

Many of those interviewed said that FÁS, and ex-FÁS Enterprise Ireland staff were a valuable resource for advice on training, particularly for assistance in identifying sources of training that would meet their specific needs well.

From the interviews, it appeared that grants have had a significant positive impact on training. A number of companies expressed the view that training grants were being focused on companies targeted for development by Enterprise Ireland. They felt that grants also could have an important role in keeping training going in the less well-managed companies.

3.4.6 Role of Institutes of Technology and Universities

Currently, the companies interviewed make relatively little use of the services of the Institutes of Technology and the Universities. Typically, they have a small number of staff doing part-time courses. Several of those interviewed would actively like to see these institutions playing a much more active role in continuing education and training for SMEs. Others would be happy to see this happen, and would expect to use well-designed services from educational institutions if they were available.

The key issues raised by interviewees are:

- That there is not enough really challenging part-time management education available in Ireland – whether short courses or full degrees – and that there is scope for management schools to do more in this area.
- That there would be a value in making education at around national certificate level available to operative level staff and craftspersons. This would need to be delivered substantially in-company through technology-enabled distance learning. In many cases employees might take individual courses, rather than full certificates.
- That the Institutes of Technology provide a valuable service in continuing education for Certificate, Diploma and Degree holders, and that this could be developed further.

3.5 Organisational issues

3.5.1 World Class Manufacturing

World Class Manufacturing (WCM) is an approach to organising work and improving manufacturing and business processes that is based on Japanese manufacturing techniques.

Many of the manufacturing companies interviewed had undertaken WCM programmes, often with support from Enterprise Ireland and/or FÁS. In almost all cases, these programmes had a major positive impact on the companies' approach to training, in terms of both volume and quality of training. The improvement was both short term, in terms of specific WCM training, and persistent in terms of increased ongoing training. In some cases, introduction of ISO9000 had a similar impact.

3.5.2 Demand for Certification of In-Company Training

A small number of companies interviewed were strongly in favour of a national system of certification for in-company training. Most were indifferent to mildly positive, provided the certification system chosen was satisfactory.

3.5.3 Group Approaches to Training

A number of interviewees highlighted the benefits of programmes that bring companies together to source and/or share training. Benefits include scale efficiencies and support for peer learning across different companies. While there was no suggestion that group approaches to training provide anything approaching a full solution to company training needs, the views expressed were positive.

Survey findings – Construction Industry

3.6 Demand for training

3.6.1 Changes in Training

In all but one of the construction companies interviewed, the amount of training has increased substantially over the last three to five years. The exception is a contracting company, employing a core of very experienced staff, and contracting in skilled workers as required. The major areas where training has increased are:

- Health and safety,
- Craft apprenticeship,
- Management training,
- Client-specific and vendor-specific training,
- IT Training.

Most companies interviewed expect the amount of training to increase over the next two to three years. Health and Safety training will continue to increase. Two companies mentioned that IT training was likely to increase. Apprentice training is likely to increase over the period, if sufficient training capacity is seen to exist.

A number of companies mentioned that they expected to have to do more training to comply with construction skill certification requirements that will come into effect in the near future.

3.6.2 Main Forces Driving Training

Workplace safety and the need for more craftspeople are the most important forces driving construction industry training. Behind these, the motivation is to be able to undertake more profitable work.

3.6.3 Discretionary and Non-Discretionary Training

Most of the training undertaken by construction companies interviewed is non-discretionary. They have little choice but to undertake apprenticeship training, as skilled craftspeople are increasingly difficult to recruit. They have little choice also but to undertake health and safety training, as the legal and business risks associated with failing to adequately train people to work safely are very serious.

3.6.4 Response to Labour Market Conditions

A number of companies interviewed indicated that part of their response to current labour market conditions is to make themselves more attractive as employers. For some companies, training is a part of the package of measures on offer, particularly at management and operative levels.

3.7 Training supply issues

3.7.1 Principal Difficulties

The main training-related difficulty reported by construction companies interviewed relates to the bottleneck in FÁS and Institutes of Technology off-the-job apprentice training. The companies are aware that FÁS is taking measures to increase its training capacity, and feel strongly that it is important that adequate capacity should be put in place quickly.

3.8 Organisational issues

3.8.1 Skill Shortages & Deficiencies

Most construction firms reported that their inability to recruit sufficient staff was causing them to turn away work. Apart from the well-known shortages of craftspeople, interviewees report a very severe shortage of construction foremen, and difficulties in attracting enough general operatives.

3.8.2 Quality of People Recruited

Most interviewees assess the quality of new staff intake as being lower than in the past, particularly the apprenticeship intake. While few insurmountable difficulties are encountered with basic literacy and numeracy, many entrants have “social problems”, and attitudes to work are not as good as in the past.

4. Barriers to training

Arising from the literature review, the interview research and the experience of the researchers and the Expert Group, the following barriers, that companies face in seeking to optimise the amount and types of training undertaken have been identified. The Expert Group has concluded that the most substantial of these barriers are the “time gap” and the “cost gap”. The Group’s recommendations for addressing these barriers are presented in Section 5. The diagram in Appendix 1 shows the linkages between the barriers identified and the recommendations.

4.1 Public Policy issues

4.1.1 Literacy/Numeracy

Significant numbers of those in the workforce, of all ages, have low literacy and numeracy skills levels. This was not seen by companies interviewed as an urgent problem – many companies can still operate satisfactorily with a proportion of operative level staff not being fully literate. However, as information technology becomes more pervasive, the number of jobs that can be done without good literacy skills is likely to fall.

4.1.2 Regional Location

A regional location adds to the costs and time pressures associated with training (travel and subsistence for trainees or trainers), and makes it more difficult to access the full range of training that would be available in Dublin.

4.1.3 Attitudes to Older People

There are some perceptions that older people are less adaptable, particularly in acquiring IT skills.

4.2 Demand Constraints

4.2.1 Time Barrier

Many companies have difficulties finding time for their people to do enough training. Senior managers report that rapid change has created learning needs that they do not have time to address.

4.2.1 Cost Barrier

The cost of training constrains both less profitable companies and companies that do not have a good understanding of how to profit from training. As the trainee and society, rather than the company, captures some training benefits, there is a tendency to avoid incurring costs associated with these benefits.

4.3 Supply Constraints

4.3.1 Access Ability/Price Barrier

Much of the training that could be useful is either excessively difficult or costly to access. Some types of training are not available within Ireland.

4.4 Organisational issues

4.4.1 *Information Gap*

Companies often have difficulty in finding the training that they need, and in being assured in advance that the training they are buying is relevant and of good quality. There is a gap in organisational mediation between suppliers and users of education and training. There is no comprehensive system of accreditation of trainers.

4.4.2 *Understanding Gap*

In some companies there are gaps in management understanding of the role of training. There are also gaps in management understanding of high productivity approaches to work organisation that require high levels of training. This includes World Class Manufacturing. It also includes advanced e-Business implementations, where e-Business has a pervasive impact on working practices within the company.

4.4.3 *Organisation Gap*

In some companies, the volume and quality of training is undermined by an ad-hoc approach.

5. Recommendations

5.1 Public Policy Initiatives

5.1.1 Adult Education and Training

Good standards of literacy and numeracy are increasingly becoming important for jobs where they were not previously required. Significant numbers of those in the workforce, and of new school leavers, have low levels of literacy and numeracy. This will restrict the capability of many companies to improve their performance. Low levels of literacy and numeracy are not only an issue among older people. Lower unemployment levels mean that they have become an issue for a considerable number of newly employed people.

Recommendation I

The Department of Education and Science, IBEC and ICTU should develop a literacy and numeracy initiative suitable for delivery in the workplace, with tutorial support being available from adult education services. This should complement existing adult education services, which are mainly delivered in colleges. The title and delivery of the initiative should have regard for the sensitivities associated with low literacy and numeracy levels, focusing on the improved communications skills which such an initiative would provide. The initiative should target both qualified and unqualified individuals with low literacy levels.

Current policy on adult education properly places a strong emphasis on developing literacy in the significant part of the adult population that has low levels of literacy, and on providing second chance education opportunities at further and higher levels. Both of these policy objectives are highly relevant to meeting future skills needs.

In the view of the Expert Group, two other areas of continuing education also require attention. These are:

- Education and training aimed at upgrading operatives and manufacturing industry craftspeople
- Management education and other continuing professional education

The Expert Group has made proposals in its report on e-Business skills designed to address barriers to the provision of continuing professional and management education in skills relevant to e-Business. The Group believes that resolving the problem for e-Business skills will go some way towards resolving the general problem, but that the overall issue of management education needs to be addressed in a much broader context.

Recommendation II

The Institutes of Technology, FÁS, Enterprise Ireland and the Department of Education and Science should develop initiatives aimed at greatly increasing the volume of education and technological training undertaken by operative and craft level staff. Flexible delivery mechanisms should be promoted and these should be available on a wide regional basis. The initiatives should be based primarily on part-time education and training in subjects relevant to the employment skills needs of participants.

Recommendation III

The new training and education initiatives should be delivered on a number of levels:

- **Programmes aimed at developing people across an industry, devised through co-operation between an industry organisation and the delivering institution, with inputs from the relevant trade unions and the funding body. These programmes might, in some cases, follow the format of the existing Accelerated Technician Programme.**

- **Major single company initiatives, devised with input from the delivering institution and from the relevant trade unions and the funding body.**
- **Training aimed at one or more staff, delivering training to meet specific skills needs. Ideally it should be possible for a single individual to take one or more courses or course modules, leading to ACCS certification or whatever certification FÁS would usually provide in the area.**

Recommendation IV

The Department of Finance and the Department of Education and Science should review the implementation of the tax relief schemes for higher education with a view to encouraging higher take-up of the schemes.

5.1.2 Extra Funding for Enterprise Training

Historically, the proportion of the human resources development budget allocated to industrial adaptation and enterprise training has been very low. In the 1994-99 Human Resources Development Operational Programme, Adaptation to Industrial Change was allocated less than 4% of the total budget. The low priority assigned to enterprise training has continued in the current National Development Plan 2000-2006. In the Plan's Employment and Human Resources Development Operational Programme, just £200 million has been allocated explicitly to 'Training for Business'.

The progressive completion of the single market, together with the advent of the single currency, will lead to an intensification of competitive conditions within the EU in the years ahead. Irish SMEs will need to adapt to these new competitive and industrial conditions if they are to survive and prosper in the future. In short, Irish SMEs will need to move out of commodity-type production and into higher value-added product lines. Raising the skills and competencies of those working in Irish SMEs is an essential precondition to advancing up the value chain.

The evidence from the qualitative survey indicates that Irish SMEs are already well aware of the need to adapt and are taking practical steps to modernise their production processes and to upgrade workplace skills, even in traditional industry sectors such as clothing. These findings are buttressed by the results of the IBEC National Training Survey, which found that smaller firms are actually spending a higher proportion of payroll on training than their larger counterparts.

However, efforts to speed industrial adaptation amongst SMEs need to be reinforced, and for two reasons. First, Irish cost competitiveness is now being threatened by an acceleration in inflation. Second, with prices now rising faster in Ireland than in competitor countries, any reversal of the Euro's recent weakness would leave Irish SME's particularly vulnerable to a competitive shock.

It is accepted that raising expenditure on enterprise training should not involve any additional charge on the public purse. However, a new instrument can be utilised to increase the allocation of funds to enterprise training.

The new National Training Fund is to be financed by a 0.7% payroll contribution from employers. In Budget 2000, it was stated that the establishment of the new Fund would not generate any additional funding for training initially. Any new allocations would have to await additional new resources flowing into the Fund.

However, with both employment growth and payroll growth running ahead of budgetary expectations this year, the new Fund will have additional resources at its disposal more quickly than anticipated.

Recommendation V

When additional resources are available to the National Training Fund, the larger part of such additional resources should be made available for programmes supporting adaptation to industrial change and for enterprise training. Since the Fund is being financed wholly by employer contributions, this would involve no additional expenditure by the public authorities.

5.1.3 Labour Market Information Needs

Planning to meet skills needs requires good, comprehensive and timely information, rather than discrete pieces of research conducted occasionally, and to a range of different data definitions and methodologies.

Recommendation VI

FÁS, EI and Forfás should examine how best to undertake a regular company level survey of training in Ireland.

Recommendation VII

The HEA and the Department of Education should prepare statistics on part-time education annually, covering intake numbers, student numbers, output numbers and employment statistics.

5.1.4 Training Leave

In a number of European countries, employees have a legal entitlement to leave for purposes of training and education. This is designed to ensure, not only that employees have access to enough training, but also that they have a choice in the training they undertake. This allows them to bridge any gap between training offered by the employer and the training required for personal and career development.

Recommendation VIII

The Government, employers and trade unions should jointly examine the possibility and implications of introducing entitlement to training leave. This examination should include costing and benchmarking against best international practice.

5.1.5 Funding of in-company training programmes

Enterprise Ireland, which has a central role in developing training capability of indigenous internationally-traded manufacturing and international services industries is currently developing a new approach to the funding of in-company training, as part of a holistic approach to the overall development needs of client companies. This is aimed at leading to substantial increases in the support for, and outcomes of, training so that companies' growth and competitiveness increases.

Recommendation IX

Enterprise Ireland should continue to develop its approach to funding, in the context of overall development and HRD policies, so that companies' growth and competitiveness increases.

5.2 Specific Organisational Measures

The Expert Group's recommendations on both Supply and Demand side training needs issues are addressed from an in-company perspective, bearing in mind the public, individual and company benefits which accrue from the "skilling" process. They address intervention modes of the state and other participants in the area and the need to balance individual, societal and company benefits from the process.

5.2.1 Group-Based Training Schemes

Group-based approaches to training can overcome some barriers to training by SMEs, through creating scale efficiencies, through supporting peer learning across different companies, and through reducing the incidence of free riding (by companies choosing to recruit staff trained by other enterprises, rather than train themselves). The changing context within which training is undertaken also suggests that newer possibilities, including that presented by joint purchase and brokerage schemes, such as those established by ICTU, IBEC and CIF, should be explored further.

Recommendation X

The Government, employers and trade unions should continue and further develop group-based training schemes, such as the SkillNets and PLATO initiatives; others administered by FÁS and Enterprise Ireland; and schemes for co-operative purchase of training, similar to those already undertaken by ICTU, IBEC and the CIF.

5.2.2 Training Information

Currently, the supply of information about training available is patchy. As a result, SMEs, which have limited time and resources available to find the good quality appropriate training they need, often have a good deal of difficulty in identifying what training they require, and where they might source it from.

Recommendation XI

A national register of approved trainers should be established and made available on an appropriate website. This should be established by FÁS, in association with EI, and other appropriate bodies and build on the registers already in place.

5.2.3 Training Promotion

While most companies now understand the practical competitive importance of investing in training, not all companies are yet in this position. It is important that there is a general recognition of the benefits of training to companies that are leaders in this context and to the disadvantages experienced by those less committed. It would also be desirable to draw the attention of businesses to success stories in relation to training people who might sometimes be assumed not to give a good return on training.

Recommendation XII

FÁS and Enterprise Ireland should undertake an awareness campaign to highlight:

- **The major increase in training that is underway, and the dangers faced by businesses which fail to train adequately; and**
- **Success stories related to the training of older people and of people from disadvantaged backgrounds.**

5.2.4 Open Learning

Companies consulted feel strongly that technology-enabled training will form an important part of their training mix within a small number of years. Reported benefits include significantly lower unit training costs, lower time spent training, higher training quality, considerably more flexibility about when training is undertaken and the number of employees that can be trained at once, and access to training that might not be available locally or even in Ireland. It will be particularly relevant to technology training and soft skills training.

The Expert Group believes, however, that flexibility to meet the needs of users requires that there should be multiple modes of delivery for in-company training.

Recommendation XIII

FÁS and Enterprise Ireland should promote the benefits of technology-enabled training in SMEs. The emphasis in undertaking this work should be placed on:

- **Research into technology-enabled training;**
- **Identifying providers of technology-enabled training that is relevant and culturally appropriate to Irish SMEs;**
- **Undertaking demonstration projects with SMEs; and**
- **Training in best practice for interface agency staff.**

5.2.5 Foundation IT Skills

Information technology is rapidly becoming pervasive throughout industry, and the number of jobs in which IT skills are not required is falling quickly. As literacy is a prerequisite for developing IT skills, this is increasing the need to upgrade literacy levels. It is also creating an increased need to develop IT skills. Acquisition of these skills also allows access to electronically delivered training and education modules.

Recommendation XIV

The Adult Basic ICT skills programme agreed under the Programme for Prosperity and Fairness should be made available to those who have completed school, but do not have post-second level qualifications.

5.2.6 Certification of Training

The Expert Group believes that an integrated education/training system is essential, wherein it would be possible for individuals, especially early leavers of all ages, to gain qualifications through a flexible system of progression and course delivery. Certification ensures that the skill levels achieved within a company are externally validated and therefore recognised as giving value to an individual as well as the company. Certification of in-company training will fall within the remit of the National Qualifications Authority (NQA).

Recommendation XV

The National Qualifications Authority (NQA) should have a dedicated budget for certification of in-company training which should be sufficient to research the area and to pilot possible approaches.

Recommendation XVI

The National Qualifications Authority (NQA) should take account of the increasing importance of internationally recognised industry qualifications in IT-related skills.

5.2.7 Improved Management of Training in Companies

In many cases, the barriers to effective training posed by time and cost are rooted in a lack of understanding and appropriate organisation within companies. Many of the training weaknesses in small companies arise from a lack of management expertise in the role and organisation of training. Such firms cannot employ a full-time training manager/officer and often rely on either the owner-manager or a finance/HR manager to address training needs. Where these persons have an inadequate ability to identify correctly training needs and develop cost-effective solutions to meeting such needs, the result is ineffective, inefficient and inadequate training.

Recommendation XVII

A renewed effort should be made by FÁS and EI to ensure that more small companies have a senior person with responsibility who has the basic skills of training management. These agencies should take the lead in developing and implementing a short, flexible training programme, which would enable managers to acquire the skills, needed for training identification and management.

Appendix 1 – Links between Barriers to Training and Recommendations

	Time Gap	Cost Gap	Supply/Availability Gap	Information Gap	Understanding Gap	Organisation Gap	Regional Location	Literacy/Numeracy	Attitude to Older People
Group-based Training		■							
Training Information				■					
Training Promotion					■	■			■
Adult Education & Training			■				■		
Open Learning	■	■	■				■		
Foundation Literacy/Numeracy								■	
Foundation IT Skills								■	
Certification						■			
High Training Work Organisation						■			
Construction Apprenticeships									
Labour Market Information									
Training Leave	■								
Improved Management of Training						■			
Scale of Funding		■							

Appendix 2 - Current Membership of Expert Group on Future Skills Needs

Current Membership of Expert Group on Future Skills Needs:

Dr Danny O'Hare (Chairperson)	President Emeritus, Dublin City University
Mr Roger Fox (Joint Secretary)	FÁS
Mr Séamus Gallen	Enterprise Ireland (National Software Directorate)
Ms Una Halligan	Hewlett Packard-IBEC
Mr John Hayden	Higher Education Authority
Mr David Lowe	Goodbody Stockbrokers
Mr Joe McCarthy	Arkaon
Mr Paddy McDonagh	Department of Education & Science
Dr Sean McDonagh	Director, Skills Initiative Unit
Mr Michael McGrath	Conference of Heads of Irish Universities
Mr Michael McKenna	Department of Enterprise, Trade & Employment
Mr Niall O'Donnellan	Enterprise Ireland
Mr Séamus Ó Moráin	Department of Enterprise, Trade & Employment
Mr Lorcan Ó Raghallaigh (Joint Secretary)	Forfás
Mr Dick Ryan	IDA Ireland
Mr Eugene O'Sullivan	Department of Finance
Mr Colm Regan	Forfás
Mr Peter Rigney	Irish Congress of Trade Unions
Professor Frances Ruane	Trinity College Dublin
<i>Alternates:</i>	
Mr Ned Costello (Alternate to Mr Séamus O'Moráin)	Department of Enterprise, Trade & Employment
Mr Peter Lillis (Alternate to Mr Dick Ryan)	IDA Ireland
Mr Pat Maher (Alternate to Mr Niall O'Donnellan)	Enterprise Ireland
Ms Margo Monaghan (Alternate to Mr Michael McKenna)	Department of Enterprise, Trade & Employment
Mr Sean Ó Foghlú (Alternate to Mr John Hayden)	Higher Education Authority
Mr Gerry Pyke (Alternate to Mr Roger Fox)	FÁS
<i>In attendance:</i>	
Mr Séamus Bannon	Forfás
Dr Noel Gillatt	Forfás
Ms Kay Hallahan	Forfás
Ms Brenda Gannon	Forfás

Appendix 3 - In-Company Training Subgroup Membership

In-Company Training Subgroup Membership:

Mr David Lowe (Chairperson)	Goodbody Stockbrokers
Ms Kay Hallahan (Secretary)	Forfás
Mr Roger Fox	FÁS
Dr Sean McDonagh	Director, Skills Initiative Unit
Mr Niall O'Donnellan	Enterprise Ireland
Mr Peter Rigney	Irish Congress of Trade Unions
Mr Ned Costello	Department of Enterprise, Trade and Employment
Mr Séamus Bannon	Forfás