

Irish Congress of Trade Unions

# A New Skills Policy for a New Economy

Spring 2011

*Lifelong Learning  
is for Everyone.*



STRONGER TOGETHER

**CONGRESS**

Irish Congress of Trade Unions

# Contents

## **Chapter One: Ireland's skill needs: they haven't gone away 1**

Introduction	
Everybody Benefits	2
Passport to a Job	3
Eliminating Waste	5

## **Chapter Two: The strengths and weaknesses of the Irish skills formation system 7**

Apprentice System Compares Favourably	8
ANCO Nua?	9

## **Chapter Three: Skills in the economy 11**

Match Jobs and Training	11
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## **Chapter Four: Financing Options 14**

Market Failing	15
Funding Options	16
New Funding Proposal	17

## **Chapter Five: Governance 19**

Unions and Employers Central	20
Danger of Light Touch Regulation	20

## **Chapter Six: A European Perspective 22**

Best Practice	22
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## **Conclusions 24**

New Skills Agency	24
Credible Governance	24
New Fund	25
Debate on Employment Schemes	25

# Chapter One

## Ireland's skill needs: they haven't gone away

### Introduction

Irish society is faced with high and rising unemployment, up from 4.5 percent to almost 14 percent in the two years since the onset of the crisis. Despite this the strategic requirement to upskill the existing workforce seems to have slipped from the public agenda.

Money from the European Globalisation fund aimed at redundant workers sits in Brussels and redundant workers cannot get their entitlements. The collapse of social partnership seems to have induced total inertia in the departments and agencies dealing with the labour market. We are in danger of unconsciously moving from a coordinated to an uncoordinated model of education and training. Peter Soskice, one of the foremost theorists of industrial society has observed that:

*"Deregulated economies have difficulty in equipping the least able or privileged children with basic employability skills. Part of the reason is that employers are unprepared to engage in serious initial training as the wage setting system exposes them to poaching. Instead at the bottom end of the labour market they offer only limited unskilled employment activities. ...By contrast employers are more engaged in coordinated economies both in apprenticeship systems and in maintaining contact with public vocational training."*<sup>1</sup>

In Ireland we have a coordinated Vocational Education and Training (VET) system. It has worked well for the economy and for society, and it is important that the key elements of coordination be maintained in any restructuring of VET. The co-ordinated approach is one reason why Ireland has historically avoided the phenomenon of NEETS – young people 'not in employment education or training'. However as youth unemployment rises the number of young people in this category has risen from 11 percent to 18 percent in the last two years. It is vital that we work toward reversing this trend<sup>2</sup>. This depends on choices in matters of governance and course formats that are made now.

This document sets out the view of Congress on how Ireland's VET system should develop in the years ahead, of the opportunities which are there and of the pitfalls which should be avoided. It argues that any reshaping of the Irish training system needs to prioritise the maintenance of a coordinated system of VET. One of the key drivers of the earlier (pre construction boom) phase of the Celtic tiger was the skills and education levels of the workforce<sup>3</sup>. Skills acquisition is a driver of both competitiveness and equity and must remain a key item on the public agenda. While Ireland currently has high levels of unemployment and in particular of youth unemployment compared to many OECD countries we have a higher proportion of young people in our labour force. We do not therefore face the challenges other countries do as the baby boomers begin to retire in the next two decades.

1 Soskice et al. *Unions Employers and Central Banks* Cambridge, 2000, p.69.

2 European Union *Employment in Europe 2010*. P.132 for historically low Irish levels, p.59 for rapid increase in 2008 -2010.

3 In the context of this paper, skills is taken to mean the combination of skills, knowledge and qualifications



We need to constantly revise and update our national stock of skills if we are to have sustained economic and social development. There is a danger that the focus on fiscal matters will drive all other debates out of the public view. This would be a dangerous development and would mean that the hidden few of the golden circle would, having looted the nation's wealth, deprive us of the capacity to discuss our future. Discussions on health, housing, human and industrial development are too important to be put in abeyance until 2015 and beyond.

## Everybody Benefits

The skills of the workforce are a central part of Political Economy. Debate on the issue leads to other areas such as the roles of education, citizens' obligations, equity, efficiency, and the correct role of the market. Getting it right in this area can deliver wins for many areas of society, such as promoting social equity, increasing productivity, minimising unemployment and ensuring the capacity of the workforce to handle increasingly complex technologies. Getting it wrong can propel the economy on a self sustaining low skills equilibrium which will damage both social equity and competitiveness and may drive marginalised groups out of the Labour Market. There is a need for intervention to ensure that training and education are fairly spread throughout the workforce. Left to its own devices, training is 'inversely related to need and training is more likely to exacerbate rather than to mitigate existing labour market inequalities.'<sup>4</sup> This paper will argue that upskilling measures, fairly spread across the workforce will bring returns to individuals, to employers

and to society as a whole. Increased skills bring benefits to workers, employers and to the economy. The European Centre for Research in Vocational training, CEDEFOP, has estimated that increased participation in education either through increased enrolment rates or additional years spent, can increase economic growth by 1 percent per year.<sup>5</sup> This figure is endorsed by recent Irish research which estimates that increases in labour quality (improved education of the workforce) contributed 1.0 percent per annum to average GNP growth between 1994 and 2003.<sup>6</sup>

The tasks ahead have been set at both national and at European level. At a national level, the National Skills Strategy set out in 2007 where Ireland would need to be by the year 2020. More recently the EU Commission's Europe 2020 set out a strategy for 'smart, sustainable and inclusive growth'. Both reports pose similar challenges with a twin emphasis on ensuring an adequate number of tertiary graduates at [Irish] level six to ten, while pointing out the need to curtail early school leaving and tackle the problems of functional literacy and numeracy. The Irish government is committed to achieving the outcomes contained in both reports, doubly so in the case of the EU report which will place annual reporting obligations on national governments.

The labour market outlook for those with low skills is poor, and people with low skills face the prospect of long term unemployment. While demand for basic level skills will decrease over the next two decades, demand for higher level skills will increase. This might lead to a

4 Hughes, O'Connell, and Williams, *Company training and low-skill consumer-service jobs in Ireland*, International Journal of Manpower, 2004 pp.17 – 35.

5 CEDEFOP Modernising vocational training - fourth report 2009, p.14

6 Forfás National Skills Strategy p.24.

Education level	Unemployment rate	Employment rate
Primary or below	18.4%	40.4%
Lower secondary	19.2%	55.0%
Higher secondary	13.5 %	72.4%
Post leaving cert	16.5%	81.2%
Ordinary degree	8.6 %	85.4%
Honours degree or above	7.6%	89.2

paradoxical situation where companies cannot fill vacancies while there are substantial numbers of people unemployed. Upskilling through education and training is the key to resolving this paradox. Investment in skills and education is therefore vital to long term recovery. The correlation between educational achievement and labour market status is strikingly revealed in table 23a of the September 2010 Quarterly National Household survey (above).

Ireland has a wide disparity in educational achievement between 25-34 year olds and 55-64 year olds having upper secondary education with the gap of 40 percent being among the highest in the OECD.<sup>7</sup>

The European Union in its *Euro 2020* policy sets out the challenge at a European level:

*'A quarter of pupils have poor reading competences, one in seven young people leave education and training too early... Less than one in three aged 25 -34 has a university degree compared to 40 percent in the US and over 50 percent in Japan'.*

Ireland does not share all of these problems, but the places where we do well are at the upper end of the education system - thirty nine percent of our labour force is third level graduates. We do, however, under achieve at the lower levels. This is a proxy for inequality in society. While we take justifiable pride in the quality of our education system we must recognise that the established Leaving Certificate best suits those who are academically gifted.

## Passport to a Job

The National Skills Strategy was published before the height of the boom, but it sets out challenging targets for upskilling the workforce. It is estimated that 500,000 people will require being upskilled by the year 2020 if we are to meet the challenges of the emerging economy. The largest groups are set out below:

**250,000 from level 3 (Junior cert equivalent) to level 5**

**140,000 from level 5 to level 6/7 (advanced certificate ordinary degree)**

**70,000 from level 1 or 2 (old primary cert or school dropout) to level 3**

**30,000 from level 4/5 to level 8 (honours degree) or above.**

<sup>7</sup> OECD Education at a glance 2010, p.13.

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The report comments that ‘The upskilling of 500,000 persons already in the labour force is a significant challenge’.<sup>8</sup> This is an understatement – these targets will stretch the capacity of the Irish education and training infrastructure.

Most OECD countries have separate vocational and general streams of upper second level schooling; pupils are segregated after junior cycle into an academic and a vocational stream. Ireland is unique in that most students take a general academic stream culminating in the Leaving Certificate examination. Admission to third level education and preparing students to compete in the points race has become the primary focus of the Leaving Certificate, displacing emphasis on the broader function of education and compromising attempts to support a strong vocational emphasis. While there have been sustained attempts over more than two decades to promote alternatives to the Leaving Certificate, brand loyalty remains strong among pupils and parents alike and only a negligible proportion of students undertake a programme of study with a primarily vocational emphasis. Many vocational courses in the VEC sector fall under the Post Leaving certificate sector and can provide opportunities for early school leavers and for adult returners.. Most young people stay in education – which is good. Some may however stay in the wrong kind of education – with diminishing returns. That this is the case is shown by the statistics on practical literacy and numeracy, which show that 20 percent of those in the 16- 25 percent age cohort scored at the lowest or level one<sup>9</sup> of

basic literacy.<sup>10</sup> These trends highlight the need for augmented efforts to develop and expand vocational strands within the education sector. The fact that Ireland has a weak vocational element in upper second level education (when compared to other countries) makes the training system all the more important.

VET systems should deal with the needs of the labour market and participation in VET should be seen as a sure passport to a job. VET stands at the frontier between education and work. While employers expect young people to have a good standard of general education, imparted through the school system, they also expect that work specific skills will be imparted by a strong VET system. For employed people the training system is a means of maintaining and upgrading skills. For unemployed people the training system is a means to re-enter the labour force either in their former job family or in a new one. This means that there should be a strong linkage between training provision and emerging jobs or job families.

It is therefore vital that there is a strong institutional link between labour market forecasting and VET provision. The institution providing VET must be attuned to the changing needs of the labour market. The needs of the labour market are not necessarily expressed by applicants’ choices which may be misguided or outdated. Training courses on offer must relate to existing or anticipated vacancies. This requires a strong connection between the lead training agency, other VET providers and the labour market forecasting agency. FÁS has recently projected Ireland’s

<sup>8</sup> National Skill Strategy report p.13.

<sup>9</sup> Level one indicates a person either very poor skills who may be unable to, for example to determine the correct amount of medicine to give a child from information printed on the packet

<sup>10</sup> Learning for jobs – Oecd review of VET Ireland February 2010, p.38.

labour demands up to 2015.<sup>11</sup> In 2008 there were 2.03 million in employment. By 2015 total employment is expected to be 77,000 lower than 2008 recovering from a low of 1.7 million in 2010. The areas of greatest decline will be construction (-63,000) and traditional manufacturing (-46,000) and those of greatest growth will be other market services (59,000) and high tech manufacturing (22,000). In terms of occupational categories the areas of largest decline (leaving out agriculture and the self employed) are other skilled manual (-25,000) and skilled maintenance workers (-17,000), while the area of greatest growth will be science and engineering professionals (17,900) and science and engineering associate professionals (21,500). FÁS predicts that the recovery is not expected to be uniform and is likely to generate better employment opportunities for higher skilled workers. Lower skilled persons and craftspersons, who were particularly badly hit by the construction collapse, are expected to gain a lesser share in the employment growth of a recovery. The report suggests that there will be a decline in demand for middle range skills, and an increase in demand for low and high skills. This is described as a hollowing out and is driven according to the report by *“technological change which leads to high skills replacing medium skills and a strong demand for low skilled manual workers for operations which cannot be automated – such as cleaning.”* CEDEFOP describe the evolution of this process at a European level.<sup>12</sup>

## Eliminating Waste

When we look at the HETAC sector there is evidence as outlined in the paragraph above that there will be a demand for associate professionals – or people with awards at below degree level. However according to recent evidence from the HEA<sup>13</sup> the IOTs are ceasing to provide such courses, choosing to concentrate on level eight degrees. The report states that the ladder system of progression pioneered within the sector which suits mature students has declined over recent years, with the number of level six awards having halved over the last five years - despite evidence that adults engage more effectively with short duration courses. The report continues: ‘These changes have occurred without evidence from the labour market that skills at these levels are no longer required.’ This would imply that the deliberative and information sharing roles which characterise successful VET systems are absent or are not functioning properly in this case.

Upskilling the workforce brings positive returns to the economy and to society. It leads to higher skilled and more confident workers, able to deal with increasingly complex technology. It increases the productivity of enterprises and with it their profitability and sustainability. At a macro level the increased level of education and training feed into economic growth. Increasing the skills of the workforce will be a driver for renewed and increased economic growth. However, given the public finances, how can the upskilling which is so crucially needed be delivered in a cost effective way? This means working smartly and eliminating wasteful activities. One wasteful activity in the education and training sector is

11 FÁS Occupational employment forecasts 2015 February 2010.

12 Research paper no.9 *Labour market polarisation and elementary occupations in Europe –blip or long term trend?* CEDEFOP, 2011.

13 *A study of progression in Irish education* HEA 2010 p.62.

people having to attend courses and sit exams to certify competencies which they possessed before the course started. Therefore, for the upskilling of experienced adults, it is vital that a credible system for the recognition of prior learning is put in place.

The paper is structured on a thematic basis. Chapter two examines the strengths and weaknesses of the Irish education and training system, and the role of VET systems in successful economies. Chapter three deals with the skill needs of the economy, how to meet these in the most effective manner and how different groups benefit differently. Chapter four examines how VET is financed, and the role of financial incentives. Chapter five deals with the governance of the VET systems and of quality assurance systems. Chapter six will look at good practice in the EU and beyond, especially in small countries. It will also deal with the role of the EU in promoting training. Chapter seven will contain conclusions and recommendations, will examine what rights and obligations attach to VET systems and will outline the dangers of the hollowing out of the labour market with large numbers of high paid and low paid jobs. The paper will argue that as VET is a public good the state should play a leading, but not an exclusive role, in the provision of education and training.

It matters that people are trained and educated to a high standard in a broad range of skills which will guarantee their labour market mobility. It matters that a reserve army of labour on workfare does not undermine conditions through swathes of the economy. We must shape the VET system to deal with both short term and long term challenges. Short term challenges include youth unemployment and high levels of long term unemployment. Longer term challenges will include the underperformance of boys in the education system and the uncertain labour market performance of the children of migrants. It matters to trade unions that one of the key aspects of Ireland's manufacturing competitiveness – a highly skilled workforce – is maintained. The 'hidden hand' of the market will not bring about these things while the room for financial manoeuvre is severely restricted. If we are to have a well functioning VET system in the years after 2014, we have to plan for and design that system now.



## Chapter Two

# The strengths and weaknesses of the Irish skills formation system

Industrial societies need to produce skilled workers if they are to succeed. As technology increases in complexity, the need for higher skills increases, and, with it, the challenge to the skills formation system. Skills or the ability to put theoretical knowledge into practice are what workers need when they enter the labour force. A key underpinning element of a skills formation system is the education system.

Ireland's education system generally scores well under a number of headings with over 90 percent of students completing second level schooling, the highest in the 30 countries surveyed by the OECD.<sup>14</sup> However, weak provision for vocational education at upper second level and the unique predominance of the Leaving Certificate, as the gateway to third level entry, means that many Irish young people lack a sufficient level of vocational skills. Almost all the students who complete upper second level schooling complete some form of the leaving certificate while 65 percent<sup>15</sup> progress to third level. This gap may be explained until recently by the strong labour market, but poses significant policy questions in the medium term given Ireland's lack of a meaningful vocational stream in upper secondary education, in contrast to most mainland European education systems. The absence of such a vocational stream makes work based learning all the more important. Such work based learning might be provided through a network of 20 FÁS training centres and through PLC (post leaving certificate) and similar vocational

programmes provided through VECs.

In February 2010 the OECD conducted an evaluation of vocational education and training in Ireland. It is entitled 'Learning for Jobs' – a title which encapsulates what should be the core value of any skills development system. The study is authored by a team from outside, which is both a strength and a weakness. The strength is that an outside team can get an overview that national evaluators will not have. The weakness is that a team from outside can be steered by the national authorities towards certain pre cooked conclusions. There is also the danger that the external evaluators will, when confronted by the sheer volume of evidence, draw some inaccurate conclusions – such as those on teacher and trainer qualifications – or contradictory assertion, such as that on page 16 that evaluations and data to assess the efficiency of FÁS is lacking. This is contradicted on page 36, which says a number of FÁS programmes have been evaluated including apprenticeship and traineeship. However despite these contradictions and methodological weaknesses the OECD work contains a number of noteworthy points. It lists some strengths of the Irish system as:

- 'Collaboration with the social partners is well established and takes place at most relevant levels;'
- 'The apprenticeship system is well structured with a systematic blend of on and off the job elements.'

Among the challenges set out are:

- 'Apprenticeships are limited to a narrow set of occupations. Workplace training is insufficiently used in many programmes;'

<sup>14</sup> OECD education at a glance 2010 p.42.

<sup>15</sup> Ibid. [http://www.oecd.org/document/24/0,3746,en\\_2649\\_39263238\\_43586328\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3746,en_2649_39263238_43586328_1_1_1_1,00.html)

- 'FÁS is a large body with multiple missions. Evaluations and data to assess its efficiency and effectiveness are lacking.'<sup>16</sup>

This OECD study reflects many of the conclusions reached in 2005 by an American academic Nigel Boyle who stated that:

- 'FÁS contributed substantially to the flexibility of the Irish state';
- 'FÁS used its unique access to EU and Irish government resources to secure the support for its policies from all the stakeholders';
- 'FÁS enjoyed relative immunity from criticism (including research based criticism)';
- 'FÁS has permanently reshaped the Irish welfare state.'

## Apprentice System Compares Favourably

FÁS is now being restructured and its role redefined. In this context it is important to reflect on the issues raised by these external evaluations. Another example of outside analysis of our training system is that of Dr. Paul Ryan of Cambridge, who compares apprenticeship in Austria, Denmark, Ireland and the Netherlands<sup>17</sup> with that of Germany and Britain. He is quite positive about the Irish apprenticeship system and suggests that the UK might do well to pursue a similar course. He also describes the three key characteristics of continental apprenticeships - linkage to the education system, a statutory approach and the involvement of the social partners in the design and development of the apprenticeship

system.<sup>18</sup> The paper demonstrates that the Irish apprenticeship system compares favourably with the systems in smaller mainland European countries

The assertion that FÁS 'has been immune from research based criticism' perhaps says more about the small size of the Irish research community than any inherent weakness in FÁS. The finding by the OECD and Boyle that FÁS was a large body with multiple missions is accurate but hardly historical. (Boyle described FÁS as the Swiss army knife of Irish public policy – not a particularly flattering comparison). FÁS was an amalgamation of three bodies; ANCO the industrial training authority, the Youth Employment Agency and the National Manpower Service. The initiative to establish such a body came from a Labour minister in a coalition government but the project was carried on seamlessly by the successor Fianna Fáil administration, indicating a high level of cross party consensus for the idea. It is now clear with the benefit of hindsight that the wisdom of establishing such a large body with such a wide range of tasks was open to question. However, there was an urgent need to properly resource the National Manpower Service (NMS) which then operated on a shoestring out of a chain of ramshackle premises. The existence of the NMS was the result of an interdepartmental turf war between the Departments of Labour and of Social Welfare as to who should control the public employment service. This dispute has now been resolved unequivocally in favour of the Department of Social Protection.

<sup>16</sup> *Review of education and training* OECD February 2010.

<sup>17</sup> Austria, Denmark, Ireland and the Netherlands.

<sup>18</sup> Paul Ryan *The Institutional Requirements Of Apprenticeship: Evidence From Smaller EU Countries* International Journal of Training and Development Volume 4, Issue 1, pp. 42–65, March 2000.

This move aligns us with most European countries where responsibility for the public employment service rests with the agency which controls the payment of unemployment benefits.

The old ANCO had a firm link to the workplace, and ran a range of industrial training programmes such as apprenticeship which commanded wide public support. The latest OECD report stresses the value of such workplace learning, and notes the complaints by employers that graduates of VET courses without substantial workplace training are often poorly prepared for the world of work.<sup>19</sup> Learning in or about the workplace consists mainly of the transmission of values and attitudes combined with a chance to put learned theory into practice. Such a process cannot be carried out in a classroom. There is therefore a compelling argument for an extension of apprenticeship into other areas of employment, and this is advocated by the OECD in their recent review of the Irish VET system.<sup>20</sup> This has in fact been happening through the FÁS traineeship programme which has been developed over the last number of years in professions ranging from legal secretary to medical secretary to Thatcher. The most recent Forfás review of labour market programmes describes traineeship as having the highest employment outcomes of all the programmes reviewed.<sup>21</sup> Similarly, FÁS developed and implemented a wide range of initiatives for non craft workers in the construction sector which upgraded skills, recognised skills which had been acquired informally and played no small part in the

promotion of a safety culture within the industry. In summary the strengths of FÁS derive mainly from the training side of ANCO and are its range of workbased training programmes which have high completion rates and rates of progression to employment.

## ANCO Nua?

The weakness of the wide mandate given to FÁS has already been referred to. A result of this wide mandate was that much of the activity of FÁS was put into the running of employment schemes. These schemes were a worthwhile measure in combating long term unemployment. It is difficult to assess the employment outcomes of these schemes due to the application of our data protection legislation which deny the relevant data to our research community<sup>22</sup> With the benefit of hindsight it is now clear that schemes should have been scaled down further in the period of full employment. Keeping schemes open for marginalised groups when there were jobs available in the labour market did these groups no favours in the long term. The scaling back of numbers, in a period of high employment, would have given the budgetary headroom to rapidly expand the number of places in a period of high unemployment – something which cannot now be done. In this context the proposals coming from some quarters to allocate the running of employment schemes to local authorities is bizarre as they would become a conveyor belt for local patronage rather than a labour market instrument. If there is anything that the recent upheavals

19 OECD review p.21.

20 OECD review p.26.

21 Review of labour market programmes Forfás Feb. 2010, p.164.

22 It was never intended that this Act should frustrate the pursuit of what is widely identified as the public good and if this is happening in employment or other areas the Act should be subject to a fundamental review.

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in FÁS teach us it is that labour market instruments need to be kept distant from political patronage. Given the problems with NEETS outlined elsewhere in this report, we suggest that in this recession, employment schemes should be a last rather than a first resort. What we need is a social guarantee - focussed on the NEET category which would guarantee either a job – or a course offer to everyone in this category. The question will arise as to whether this should be voluntary or mandatory where a refusal to participate leads to a withdrawal of benefit. Two points need to be made in this context. The NESC has carried out a large piece of work on labour market activation, and this research should be brought into the public domain as soon as possible to contribute to a debate. The second point is that all the international evidence is that the careers of young people who enter the labour market during a recession can be scarred for up to a decade. This alone should bring us to contemplate measures which we might not normally do.<sup>23</sup>

The move of the public employment service into the Department of Social Protection allows a successor body to focus on its greatest strength - workbased training. The training side of FÁS should be rebranded based on its original roots as a training agency - ANCO nua. The mandate for this agency should be to build on the workbased training approach that characterises the apprenticeship and traineeship programmes. All the evidence based from international research is that such

programmes are valued by employers and workers alike. Such a body would operate the existing network of training services, provide a skills forecasting service, and properly manage external contractors who would provide specialist VET. It would be the point of contact and assessment for workers or unemployed people needing an assessment for the recognition of prior learning. It would be the lead body for industrial training activity within the state and should assume responsibility for hospitality training currently within Fáilte Ireland, which has failed to uphold the strong training tradition of CERT which it absorbed. It should cooperate with the education sector, especially the VECs and the IOTs.

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23 OECD report p.33 citing evidence from Canada, the US and Japan. Of particular concern for youth unemployment is the finding that much school guidance is ' focussed on the psychological aspect of the student's development with little consideration of labour market matters' p.50.



# Chapter Three

## Skills in the economy

Every citizen of Ireland has a greater interest than ever before in the growth figures, as our agreement with the EU and IMF ties us into achieving a 3 percent debt GNP Ratio by 2015. Most of the emphasis in the public discourse has been on the debt side of the equation, but equally important is the GNP growth side, in which education and training will play a key role.

One of the key attributes of the economic success that we enjoyed in the late nineties was the role of education and training in developing a highly skilled workforce. This skilled workforce is at least as important as the iconic low corporation tax as one of the key drivers of growth. Education and training remains a source of industrial competitiveness, and as a promoter of GNP growth, a means of getting ourselves out of our fiscal mess quicker than we might otherwise do. Choices that we make in the way we organise our education and training feed in to our effectiveness as an industrial society. It therefore makes sense to organise our VET system in the most effective manner, building on what succeeds and discarding what has failed or what is no longer appropriate.

If we take Ireland in the nineties we see that there are strong precedents for investment in education and training feeding into growth. Paul Tansey in his work on the Irish labour market, written in the mid nineties, writes that in the decade to 1995 Ireland sprinted away from its competitors in terms of economic growth. Tansey attributes this to three factors - the natural tendency of underdeveloped economies to catch up - a once off phenomenon- together with fiscal discipline

(the Mc Sharry cuts of 1987 and beyond) and increased investment in human capital.<sup>24</sup> It is the conjunction of these latter two that is particularly relevant for our current circumstances.

Projecting what the economy needs in the medium to long term is a complex business and one which can prove costly if mistakes are made. There is no use training or educating for jobs that no longer exist, and it is important to have effective VET programmes. It can take a number of years between the inception of a programme and the emergence on the labour market of its first graduates. These are long term investments and it is therefore of the highest importance that the correct choices are made. Simply put this means that courses that lose their link to labour market needs should be shut down and the resources re-allocated to courses in emerging areas. A case in point is the role of ECDL or the European computer driving licence. This is a low level computer course widely provided by public and private trainers. There is no evidence that possession of this qualification improves employability, while the equivalent FETAC courses are probably superior. An adequate range of general vocational courses should be available in the education sector as a bridge to more specific skills courses in the VET sector

### Match Jobs and Training

We currently have the expert group on future skill needs, based in Forfás, but most of the work carried out by that group is undertaken by the skills and labour market research unit of FÁS. The purpose of this unit is to ensure that we are training people for jobs that will exist. A recent example of the work carried out in this

<sup>24</sup> Tansey *Ireland at work the Irish labour market 1987-1997*, Dublin, 1998 p.104.

area is on the skill needs of the green economy. This comprehensive study identified emerging skills at a number of levels ranging from operative to graduate engineers. The benefits of having such a centralised view of the economy are that competing skills initiatives do not compete for the same cohort of workers. While unemployment is now at a high level, for most of the preceding decade the Irish economy was coping with the effect of skill shortages. The fact that we are now facing high unemployment should not prevent us from undertaking efficient manpower planning.

Ireland was one of the first OECD countries to introduce a national framework of qualifications, with all awards fitting somewhere in the framework.<sup>25</sup> The initiative for this came from the European Union who, having funded a large chunk of VET were perplexed at the diversity of awarding bodies. The EU strongly recommended a single qualifications structure, which was established in the Qualifications Act of 1999. This act established the single structure but also established three public bodies to administer the structure, FETAC, HETAC and the NQAI. These three bodies are now in the course of being amalgamated. While this decision was taken in the interests of organisational efficiency, it would be a waste of legislative effort to confine this review to organisation. Given the quality issues which have arisen in the private sector (detailed in Chapter Five) the opportunity of the new legislation should be taken to reinforce the quality enforcement aspect of the new agency especially with respect to private providers, while at the same time revising the light touch

attitude to regulation enshrined in the 1999 act – an approach which has served the country so disastrously in the financial sector.

Let us revisit the targets set out in the national skill strategy. The two largest groups are 250,000 from level 3 (Junior Certificate equivalent) to level 5 (Leaving Cert equivalent) and 140,000 from level 5 to level 6/7 (advanced certificate ordinary degree). This constitutes almost 400,000 people. It is unrealistic to expect this ambitious target to be achieved by simply continuing to do what we have always done. New methods of delivery are going to have to be developed. One area of innovation can be in the area of the recognition of prior learning (RPL). Through RPL a person who has achieved a particular skill level or knowledge can have their skills assessed by interview portfolio or other appropriate means and could have a certificate awarded on that basis. This means that people will avoid having to sit courses which cover material they already know - this particularly suits experienced workers. However, if RPL systems are to maintain trust they must operate to the highest standards of probity. They must also function in a consistent manner.

RPL is one aspect of smart delivery. Another effective form of smart delivery would be to minimise the waste in dropout rates. This would involve focussing on weak points with a view to addressing them. One shortfall is the under achievement of young men in the education system which is a common phenomenon in Europe. This is compounded in Ireland by the fact that unemployment rates for young men are higher than for young women

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<sup>25</sup> For example Leaving Cert is at levels 4 or 5, apprenticeships are at level 6 while University degrees are at level 8.

by about thirteen percentage points.<sup>26</sup> One experienced Irish commentator has pointed out that the country that finds a solution to this problem will derive competitive advantage from it.<sup>27</sup> This brings us back to the issue of workplace learning. At the moment we may be wasting effort trying to retain, in the general education system, young boys who don't want to be there. The alternative is to adopt – or to adapt – the workplace learning model of the apprenticeship system to provide an increasing amount of our intermediate skills. In addition, more focussed vocational programmes could be developed within the education sector. This requires an agency capable of managing such an operation in order to give a seamless blend. The broad consensus developing in favour of a more widespread adoption of work based learning can be seen in the OECD review and more recently in the Hunt report on higher education, which advocates more work placements for students. Significantly the Hunt report cautions about the capacity to manage work placements, especially given the high numbers of second level students already seeking placements. The only body with a track record of successfully managing the work learning interface is the industrial training side of the old ANCO.

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<sup>26</sup> EU *Employment in Europe 2010* p.70.

<sup>27</sup> Dr Sean Mac Donagh *Progression and future skill targets – a comment on the HEA sir progression report* draft discussion report. December 2010.

# Chapter Four

## Financing Options

14

Quality VET is not cheap, so finance is a major part of the training debate. VET is an intangible product and the laws of the market do not apply in the normal manner. Much of the academic analysis discusses what is called market failure or why it does not allocate training in an efficient or fair manner. As Forfás puts it in a recent study: ‘Individuals may not fully appreciate the value of acquiring education, either due to lack of awareness, risk aversion or to uncertainties about the future state of the labour market’.<sup>28</sup> This chapter will deal with how the Irish VET system was paid for and how the market applies – or doesn’t apply.

The primary reason why market laws don’t apply to VET is what is known as the free rider dilemma. Employers who train staff fear that the workers will be poached by other firms who do not. The fear among employers that this will happen may in fact be exaggerated but it tends to suppress the amount of training carried out. One way of tackling this is to impose a levy on all employers which could be reclaimed by employers who train. Such schemes tend to be administratively complex and have fallen into disfavour in some countries. Another way is for the state to intervene and to subsidise VET to employers on the ground that it is a public good. Another reason for the state to intervene in the supply of VET is to counteract what is called the ‘Matthias effect’ from the biblical quote ‘to those who have most more shall be

given’. This is the paradox whereby those most likely to take up offers of upskilling will be the best skilled while those with least skills are least likely to enrol in programmes that they need.

Most of the infrastructure for the Irish VET system came from the EU, which funded the network of twenty ANCO/FÁS centres, and part funded programmes in RTCs and VECs through the European Social Fund. ANCO became adept at managing the European system, and this skill was passed on to FÁS. In fact their skill in managing European funds was better than that of the Civil Service.<sup>29</sup> This was the cause of some jealousy. In the late nineties, when it was clear that the ex communist countries would join the EU, it became obvious that the amount of EU money available to Ireland would diminish greatly. In order to cope, a national training fund was established funded by 0.7 percent of the 12.7 percent employers’ PRSI contribution. This fund was established by the National Training Fund Act 2000. However as is often the case in public administration there were unintended consequences. EU funding came on a ‘use it or lose it’ basis with unspent money going back to Brussels, together with strict spending and evaluation guidelines. When funding of training moved to the NTF and policy responsibility moved to being the exclusive preserve of the Irish government these two positive aspects were lost. The national training fund was consistently under spent. In normal circumstances, a fund which could not be spent would either be heavily promoted to encourage new applicants, or would have the rate of contribution scaled back.

28 Forfás review of labour market programmes Feb. 2010 p.86

29 *FÁS and active labour market policy 1985-2004* Nigel Boyle, Dublin, 2005 p.23.



However, the lowering of tax rates in this period caused the Department of Finance to be vigilant over what constituted the General Government balance for the purposes of the Maastricht Stability and Growth Pact. An under spending fund accumulating money was like manna from heaven to the Department of Finance and served to make up the numbers in government finances rather than to promote upskilling.

## Market Failure

A measure often proposed to improve the supply of VET is the granting of vouchers to fund or part fund programmes and courses. In theory providers spring up, anxious to offer the best and most appropriate courses: supply will match demand and all will be well -at least in theory. There are a number of arguments against this policy proposal, based on Irish and international experience. Firstly Ireland already has a history of voucher based training. Since 1998 participants in Community Employment schemes have had a personalised budget for training. This has been a voucher scheme in all but name. However, there is no evidence of increased employment take up among scheme participants. One of the big changes in the Irish labour market was the huge influx of workers from the new member states after 2004. These workers frequently took up low paid low skilled work. They were therefore competing with Irish workers at the margins of the labour market such as CE participants, who nevertheless had the advantage of the native tongue. If individualised grants were effective in the labour market why did migrants from the new member states so rapidly colonise this part of the labour market, despite in many cases a bad command of English? This shows both the shortcomings of the voucher system and

the weakness of employment schemes as an upskilling instrument – a point we will return to in a later chapter.

Another area of Irish experience which throws doubt on the shortcomings of a simple voucher or subsidy approach to training is Skillnets, the training networks programme. This was established in 1998 as an enterprise led programme, in response to a demand from IBEC, that the responsibility for training in the workplace should be given to employers. Skillnets avoided the straight grant awarding approach. Grant applicants have to demonstrate that they have formed a network of employers or unions, and that their training proposals are based on identified training needs. Only then is a grant awarded. If employers with the back up of training and HR departments have to carry out such extensive preparatory work before receiving state funds, are we seriously to believe that training accounts or vouchers would work for individuals?

In fact the relationship between learner and course provider is not a market relationship. The market assumes perfect information on the part of the buyer and the seller. The position of those seeking upskilling is often characterised by a lack of information on what is on offer, and on the relative benefits of the various courses on offer. What the learner needs is a passport to a job. In these circumstances a successful course provider needs to put the interest of the learner ahead of their own financial considerations.

There has recently been discussion about empowering individuals through giving them money to buy education or training either in

whole through voucher schemes, or in part through a state contribution to individual learning accounts. The international evidence of the success of such schemes is patchy. CEDEFOP has recently carried out two reviews of learning accounts and voucher schemes – one in the EU 15 and another among the accession states. In the case of the older member states the report concludes that: “There have been many trials of training vouchers and so called learning accounts in recent years: most western and south western European countries have tried them in one form or another. The related funding is usually small and the number of participants involved also seems limited...reaching certain disadvantaged groups such as the educationally deprived and SMEs ...is regarded as a particular challenge.” In a warning which is of particular relevance to Ireland, the report continues: “The vouchers or learning accounts should only be used with accredited institutions to prevent misuse or poor service quality”.<sup>30</sup>

## Funding Options

In the accession states vouchers are used only in Malta. This is a revealing comment as most of the ex communist accession states combine a strong vocational training culture with an enthusiasm for neo liberal political economy. The strong training culture obviously won out, as these states did not adopt training vouchers.<sup>31</sup> There is ample more detailed evidence closer to home in the original British experience of individual learning accounts in 2000. This was described in detail in a report by the British National audit office. The NAO recorded that: “Following

advice from the police the Department shut down the scheme...due to allegations of potentially serious fraud and abuse involving unauthorised access to individuals’ accounts by unauthorised providers.”

Among the recommendations made was that the system needed stronger quality assurance mechanisms to prevent unscrupulous providers benefiting from the scheme and that the department needed better intelligence on unscrupulous providers.<sup>32</sup> Interestingly, the audit was quite positive about the number of learners activated. However, the report also identified that many of the beneficiaries of the scheme were in the higher skilled category with forty percent having a degree level qualification or above.<sup>33</sup> While the experiment of ILA’s was undertaken with the best of intentions, and promoted as a flagship of New Labour’s industrial agenda they were incapable of delivering quality and appropriate VET for those who needed it most. It would appear then that any voucher based approach would have few successful models on which to draw, would direct resources towards the higher skilled and would need to employ a large number of audit and fraud control staff.

While in theory, the ‘voucher’ system ought to enhance the quality of VET by introducing competition to the market place, four difficulties arise in practice; firstly, there are a proportion of job-seekers who willingly pay for their own upskilling; providing vouchers for such programmes has a large deadweight effect. Secondly, it assumes that the training which is required is available in the marketplace and

<sup>30</sup> *Individual learning accounts* CEDEFOP 2009 p.19.

<sup>31</sup> *Sharing the costs of vocational education and training* CEDEFOP 2009, p.37.

<sup>32</sup> NAO report on individual learning accounts 2002, p. 10.

<sup>33</sup> *Ibid* p.15.

this is often not the case. Private providers quite logically tend to provide courses in areas where there is a popular demand and which do not involve the provision of expensive capital equipment. The private provider cannot afford to cover the costs of training facilities for which the demand is sporadic rather than continuous. Thirdly, it assumes that the job-seeker is aware of the best programme for him, or her. For example a job-seeker may use the funds provided by the voucher system to undertake a course in theology, where the employment prospects are negligible. Finally, one of the merits of the voucher system - that it generates intense competition among private providers - can also be a weakness. It can result in private providers engaging in unethical practices to improve placement rates (e.g. placing someone in a temporary job in a relative's company) or indeed focusing solely on better qualified job-seekers (cherry-picking). We will deal further with the ethical issues surrounding VET provision in chapter five.

## New Funding Proposal

VET needs are not driven by finance but by a complex mix of labour market guidance, knowledge of future vacancies, course quality and financing. VET in industry is financed in a number of ways, by government, by companies and by the individuals concerned. This reflects the benefits which come from education and training which confer benefits on individuals, on companies and on the economy as a whole. The role of individual contributions is often forgotten, and it takes the form of time devoted to study and often of fees. One of the major anomalies of recent times was the treatment of third level fees for those in employment. The Irish third level system has an increasing

number of mature students. When these students are working, they are denied the free fees of which most students avail, despite having paid tax and PRSI, often for many years. This is an unnecessary constraint on the supply of third level graduates which could be addressed in our proposal set out below.

The financing of the VET system has not been a problem for the Irish state. We have successfully managed the ending of large scale ESF funding. The National Training Fund is awash with money and the experience of this fund has shown that the problem is not a lack of funding but a lack of imaginative delivery capacity. Just as the National Training Fund was established by diverting an element of the employers' PRSI contribution to the NTF, we suggest that a similar proportion of the employees' contribution should be allocated to an enlarged fund, which could be used to fund training by companies and could also be drawn on by individuals, in order to pursue a major award on the national framework of qualifications. We welcome the suggestion in the Hunt report that the NTF could be used in certain cases to fund individuals increasing their skills in the third level sector. We feel however, that the fund should be broadened in the manner we suggest, both to provide an increased level of funding and to demonstrate a sense of ownership by workers over the NTF. Such an approach would support the upskilling goals of the national skills strategy and would promote both systematic workplace VET and a climate in which individuals would invest in their own upskilling. At a policy level, our suggestion of the re-allocation of a small element of employer and employee PRSI, away from the social insurance fund to an enlarged

- 18 National Training Fund, can be justified in that increased skill and education constitutes a form of insurance against unemployment.

The debate on any aspect of finance comes at a particularly difficult time for Ireland. However, in this context it is important to remember that workforce skills are cited almost as often as our low corporation tax rate as a driver of Irish competitiveness. Investment in skills and knowledge development, has been shown to have contributed significantly to Irish growth rates in previous decades, and is therefore vitally important in meeting the EU/IMF targets to which we are bound. We simply cannot afford to put the skills development agenda on hold until 2015. Skills upgrading is the power house of the knowledge economy, with a proven link to economic growth. The task must be to strive for the most effective forms of VET, involving a mix of classroom and workbased education and training and the recognition of prior learning. It must also involve a strong emphasis on the maintenance of quality standards. These issues will be dealt with in the next chapter which deals with governance of the system.



# Chapter Five

## Governance

Why does it matter how VET systems are governed? Can they not be governed in the same way as schools or indeed private companies? The experience of other European countries shows that the governance structure of VET systems is related closely to the quality of those systems. The governance of VET systems should reflect the shared ownership of these systems and the checks and balances which the various parties exert on each other. This is a matter of economic efficiency.

Workers, employers and the state have divergent and sometimes competing interests in the management of the VET system. Some employers may oppose the idea of portable skills, as it will reduce labour mobility and the cost of labour turnover. Some categories of workers may seek to severely restrict entrance into their trade or profession as shortages will keep wages or fees high, while VET institutions may seek to channel students to pre-existing courses regardless of the job options.<sup>34</sup> All of these stratagems are clearly against the public good and the best way of avoiding them is through the balance of forces in a tripartite structure.

VET systems are intimately bound up with industrial society as they nurture the development of advanced technologies. It is crucial that the knowledge and skills imparted by VET institutions are relevant to the demands of the workplace. Soskice and

Hall, generally regarded as the most advanced theorists of industrial society give a number of reasons why employers and unions have a special role, arguing that employers and unions know best the requirements of a skill based skill system, so they should be left to regulate it themselves.<sup>35</sup> They stress the importance of coordinated systems of VET in supporting both efficiency and equity. They also point out the important role of employers and unions in co-ordination through information circulation and deliberation, or a capacity to arrive at a common position and to reconcile competing interests.

The governance of educational institutions and of VET systems differ from each other. Society requires its educational institutions to deliver a broad and general education over a range of subjects across different disciplines. These subjects change relatively infrequently and only very occasionally is a new subject inserted in the curriculum. [Quite frequently the well meaning advocate of a particular public good suggests that a particular aspect of that public good 'be put on the school curriculum'. If every such suggestion made over the past twenty years had been accepted there would be no room left on the school curriculum for maths, science or languages]. We therefore accept as a consensus in society that the governance of educational institutions is best left to educationalists, with a few representatives of students and of enterprise. This is the approach adopted in the 1997 Universities Act. VET is different, and programme and course development must change in accordance with the needs of the

34 OECD report, p.53.

35 Varieties of capitalism: the institutional foundations of comparative advantage, Hall and Soskice (eds) Oxford, 2001, p.279.

economy. This means that the governance of VET institutions must be strongly influenced by the enterprise stakeholders to guarantee that the courses offered are connected with, and relevant to the enterprise.

## Unions and Employers Central

We can see this approach within the third level sector in the qualification of engineers. The ultimate arbiter of who provides chartered engineering degrees is not the Universities or IOTs but the professional body Engineers Ireland. The sovereignty of the educational institutions in delivering engineering education is therefore shared with the professional body in the public good. It is likely that a similar model of sovereignty sharing will emerge from the restructuring of legal education contained in the recent agreement with the EU/IMF deal, with the universities sharing responsibility for legal training with the Law Society and Bar Council.

It is important that the positive elements of the old ANCO which was subsumed into FÁS should be maintained in the constitution of a new skills body. Past failures were related to an excessively wide mandate and to political influence rather than its tripartite nature of governance. The international literature favours strong involvement of employers and unions in the governance of the VET system. The only major exceptions to this rule are the USA, which has no VET system to speak of, and the UK where the organization of VET has been seen as a weakness in its industrial system, going back to the mid nineteenth century. Indeed the UK VET system is often described as being in low skilled equilibrium. Finegold

and Soskice (1988) argue that Britain is trapped in 'a self-reinforcing network of societal and state institutions which interact to stifle the demand for improvements in skill levels'. Firms' investments in R & D (and hence implicitly their choice of technology) and workers' investments in acquiring human capital are two aspects of this network of institutions.<sup>36</sup>

The OECD regards the close involvement of employers and unions as an aspect of strength for the Irish system.

It has been argued by Boyle and others that the FÁS system of governance was cumbersome and resistant to the designation of new apprenticeships, but this ignores the success of reform in the early nineties. In any event there is no reason why the VET arrangements and standards for a particular occupation should not be negotiated between the parties and, in the absence of agreement, be referred to the Labour Court, with specialist assistance if necessary. In this way any matters at issue could be resolved in the same manner as any other industrial relations matter.

## Danger of Light Touch Regulation

Public bodies using public funds should be answerable to the Comptroller and Auditor General and to the Oireachtas. This answerability should go beyond a narrow accounting view and should capture the relevance and effectiveness of the work of a body and how the public good is served.

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<sup>36</sup> *The Low-Skill, Low-Quality Trap: Strategic Complementarities between Human Capital and R&D* Stephen Redding *The Economic Journal*, Vol. 106, No. 435 (Mar., 1996), pp. 458-470.

The quality of a nations' training, education and certification system is as important as its currency. Indeed certification is in itself a form of currency. Both allow a piece of paper to impute a value to an intangible object – in one case goods or services in the other case a piece of knowledge. In both cases reputation is important- we are all aware of how the phrase 'confederate dollars' represents something that is intrinsically worthless.

If we examine the essential characteristics of the recent failures in the VET system, it is clear that a number of state agencies had lapses of various forms in dealing with private sector providers. These lapses were first discovered by Skillnets who in turn communicated with the other bodies concerned. The lapses originated with a small number of private trainers who manipulated the system for their own gain. One case is detailed in the report of the Comptroller and Auditor general on Skillnets, where irregular practices were detected by a private provider in the course of 2009.<sup>37</sup> The shortcomings of this case were well reported in the press.

Lessons must be drawn from these events. It would appear that FÁS and Skillnets were insufficiently aware of the risks posed by a small minority of private providers. However, these private providers were certified by FETAC and had quality assurance in place. This leaves FETAC with some questions to answer as to how robust procedures actually are. The legislation amalgamating the three certifying bodies should reinforce their mandate and move away from a light touch regulation

approach. This is important as the recognition of prior learning assumes greater importance, as detailed in Chapter Three. In monitoring classroom based learning, the most effective audit control tool is the spot check where someone turns up at random to check out attendance at the learning activity. As there are no classrooms in RPL, the potential for the corrupt enrichment of an unscrupulous operator is immense.

Governance is not an end in itself - it serves a purpose. Societies design governance systems which achieve a purpose such as deliberation, information sharing or providing feedback. There is ample theoretical and practical evidence that the governance of VET systems works best when it is structured on a tripartite basis. Tripartism is not an end in itself but is a means to ensuring the relevance of training offered, as well as anchoring the training system to the enterprise stakeholders, employers' associations and trade unions.<sup>38</sup> The abandonment of tripartism in the governance of a new skills agency would be to learn the wrong lessons from FÁS and to throw the baby out with the bathwater. The means of ensuring the FÁS debacle is not repeated is to give a new agency a mandate focussed on delivering quality training in work based learning environments.

<sup>37</sup> Report of the Comptroller and Auditor General Volume 2, pp395-402.

<sup>38</sup> However since participation in such a board is the exercise of corporate citizenship by employers associations and trade unions there is no argument on whether such a governance structure should receive any remuneration.

# Chapter Six

## A European Perspective

It is easy to overlook the extent to which our structure of VET has been influenced by the European Union. The EU financed our initial network of FÁS training centres and institutes of technology.<sup>39</sup> As our membership of the Union lengthened, the influence spread from just bricks and mortar to an overspill into the policy area.

European funds brought a requirement to evaluate courses and programmes, while they also made it possible for new programmes to be funded, ranging from the reformed apprenticeship of the early 1990s to the Vocational Training Opportunity scheme which allowed unemployed adults to return to learning. In addition to bricks and mortar, Europe has brought much to the Irish VET system. The growing experience of working with Europe, often through programmes such as Leonardo da Vinci or before it ADAPT allowed the Irish system to experiment with new ways of doing things based on mainland European experience. It is therefore useful in this chapter to look at VET structures in a number of smaller European states. The chapter will also examine the recent weaknesses in this country's application to the European Globalisation fund.

Most of the smaller European countries regulate their training system in a tripartite manner involving employers, unions and the government, as the following brief survey shows.<sup>40</sup> In Austria the Federal

Advisory Board on Apprenticeship (*Bundesberufsausbildungsbeirat*, BBAB) comprises representatives of employers, unions and vocational schools. The BBAB submits proposals in the form of expert opinions, e.g. by the introduction of new or modernisation of existing apprentice-ships, to the Ministry of the Economy.

In Denmark employers and unions play an institutionalized role at all levels of VET, from the national Advisory Council on Initial Vocational Education and Training advising the Minister of Education on principal matters concerning VET to the local training committees advising the colleges on local adaptation of VET. Their influence has grown since recent reforms which have led to fewer advisory bodies.

### Best Practice

The trade committees (*De faglige udvalg*) consisting of representatives from both sides of industry constitute the backbone of the VET system. They perform a central role in relation to the creation and renewal of VET courses and have a dominant position in the formulation of curricula. The committees normally have 10-14 members and are formed by the labour market organisations (with parity of membership). They are responsible for course objectives, duration, contents, final examination standards and the issuing of final certification.

In Finland central employer organisations and unions participate in the planning and development of education through representation on the following committees:

<sup>39</sup> In fact at time of establishment these were known as ANCO training centres and Regional Technical colleges.

<sup>40</sup> <http://www.cedefop.europa.eu/EN/Information-services/vet-in-europe-country-reports.aspx> consulted 4 Jan. 2010



1. The recently established Council of Lifelong Learning: the scope of the new Council is broader than the previous Adult Education Council's, covering not only matters concerning adult education, but all levels from vocational education to higher education, including on-the-job learning and liberal and general adult education;
2. The national education and training committees operating in conjunction with the Finnish National Board of Education, which have been created to develop contacts between vocational education, training and working life;
3. The qualification committees operating under the Finnish National Board of Education, which organise and supervise tests in vocational adult education and training (within a competence-based qualification system);
4. The consultative committees in vocational institutions, that develop their operations and contacts with local working life.

In addition, the central union and employer bodies have sectoral training agreements, regulating the terms of in-service training. The first training agreements were signed in 1971. A different approach applies in the Netherlands, where initial VET development of qualifications is undertaken at national level by Knowledge Centres based in branches of a particular industry, with both employers and unions represented. In relation to continuing VET for adults, this is market driven with a lot of suppliers (including publicly financed IVET suppliers who can offer private, commercial contract activities). Social partners can stimulate CVET by their branch-specific Training

and Development Funds (Opleidings- en ontwikkelingsfondsen).

These examples show a continuum of practice ranging from the Austrian system, which is very similar to general practice, through two Scandinavian models with their greater involvement of the state to the Dutch model with a greater emphasis on a market driven approach. What all these models have in common is a strong involvement of employers and unions in VET institutions. There is a danger lest our Anglophone habits of looking first at UK institutions would lead us to place an excessive reliance on an approach which is seen as problematic by most UK commentators and which would be seen as having led to the UK being described as being in a low skilled equilibrium.

# Conclusions

24

The challenges facing the Irish labour market are as great as any seen in a generation.

Unemployment has risen to 13.8 percent, youth unemployment is at nearly double that level and emigration is on the increase. It is therefore vitally important that changes to our labour market institutions are carefully planned and executed with an eye to their long term effect. The effect of labour market institutions is normally seen in the long rather than the short term. Getting things right in the area of reform can help ensure that our labour market institutions help rather than hinder employment growth when the upturn eventually comes.

This paper is a contribution towards charting a vision for how we restructure our VET system. Its thrust can be summarized in a small number of key points. Firstly, all the available evidence shows that investment in skills brings an increase in GNP. This has been proven in an international context and by Paul Tansey in the case of Ireland between the 1970s and the 1990s. An increase in GNP is important to all citizens as a means of getting us out from under the yoke of the EU/IMF deal.

In today's economic circumstances there must be a strong focus on effectiveness. This means focusing on areas that are currently problematic, or initiatives which would increase overall effectiveness. It is vital that any reforms target the issue of the underperformance of young men in our education and training system. This underperformance manifests itself in lower completion rates and inferior results, both of which represent a waste of

human resources. In the case of increased effectiveness it is clear that an acceptable system of the recognition of prior learning would allow people to avoid doing exams in areas of knowledge which they have already mastered. With a system of RPL adults can focus on acquiring additional skills. This is dependant on the development of a nationally consistent system which the public will trust.

## New Skills Agency

In our approach to these changes, we are unapologetic advocates of a coordinated rather than a market driven approach to managing the VET system, to reiterate the point made by Peter Soscice and quoted in the introduction: 'Deregulated economies have difficulties in equipping the least able or privileged children with basic employability skills'. This is the approach that we do not need in Irish society at the moment if we are to combat the high level of NEETS that are not in employment, education or training. We argue for the creation of a new skills agency which would embody the best aspects of the old ANCO, providing a wide range of courses through workbased learning. This model would be based on, but not confined to the existing apprenticeship system which is internationally well regarded.

## Credible Governance

On the question of governance we argue that state certification is a form of currency, which requires a certifying authority with a high level of credibility and robust quality assurance procedures which are actively applied. The opportunity should be taken to use the current legislation, amalgamating the existing certifying bodies to protect against

the light touch approach that has emerged in some recent incidents. As to the governance structure of a new skills agency we believe that the international evidence is that the active involvement of employers and unions in the governance of VET systems improves the effectiveness of such systems and binds them to the needs of the labour market. Appointment to such a structure need not be incompatible with proposals to change the way representatives to public bodies are appointed.

## New Fund

The financing of this system should be debated among the stakeholders, possibly in the forum of NESC. We suggest that the national training fund should be augmented by diverting 0.7 percent of the workers' contribution to fund both individual and collective upskilling. Upskilling is one of the surest forms of insurance against unemployment. In the area of financing we argue that while there may be merit in having funds follow the individual, the attraction of voucher systems has proven illusory. At best voucher systems reinforce the Matthias effect whereby those who have most get more, while at worst voucher schemes provide an opportunity for corruption on the part of a small number of private trainers.

## Debate on Employment Schemes

We believe that upskilling remains the way forward both for individuals and for society. During the recession of the 1980s work schemes were introduced in an attempt to combat long term unemployment. We believe that there remains a place for such schemes,

but they need to have a relationship to the vacancy rate in the labour market. Unfortunately in more recent times our system's management skills in dealing with unemployment atrophied and many initiatives had to be reinvented.<sup>41</sup> The schemes also need to be structured so that they can expand or contract in line with the level of unemployment. However, it is our firm view that upskilling brings a longer term return to both the individual and to society. There needs to be a public debate on the issue of employment schemes, training offers and the conditions that attach to them. The best way of leading such a debate is by publishing the work on labour market activation which has been undertaken by the NESC.

Debates on political and economic change cannot go on forever and sooner or later a conclusion must be reached which is implemented through legislation. This policy paper is produced as a contribution to the debate on the future structure of our VET system. Our view is that the result of this debate would be proposals for a reformed skills agency providing workbased learning certified to the highest standards. We believe that these proposals should be based on best practice in the smaller member states of the EU such as the Netherlands or the Scandinavian countries. Skills are the engine room of the economy. Upgrading skills knowledge and qualifications leads to economic growth and improves social cohesion. We have one chance to restructure the VET system, and we must get it right.

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41 Report of European Parliament visit to Ireland 2-4 June 2009, CM\821705EN pp..2-3.

[www.ictu.ie](http://www.ictu.ie)

32 Parnell Square  
Dublin 1  
T +353 1 8897777  
F +353 1 8872012  
[congress@ictu.ie](mailto:congress@ictu.ie)

Carlin House  
4-6 Donegall Street Place  
Belfast  
BT1 2FN