



Statement on **2000**
Labour Supply
and Skills



*Statement on
Labour Supply
and Skills*

Council Members

The members of the National Competitiveness Council are as follows:

Mr Brian Patterson	Chairman
Mr Rory Ardagh *	Director Formus Communications Limited
Mr Kevin Bonner	Partner Business Insight Limited
Mr William Burgess	Managing Director & Chairman IBM Ireland Limited
Mr Donal Byrne	Managing Director & Chairman Cadbury Ireland Limited
Mr Des Geraghty	President SIPTU
Ms Jackie Harrison	Director – Enterprise IBEC
Ms Annette Hughes	Economist DKM Economic Consultants
Mr Billy McCann	Chairman ESB
Ms Áine Mizzoni	Chief Executive Officer E•Smart Limited
Ms Patricia O'Donovan	Deputy General Secretary ICTU
Mr Neil Ormonde	Consultant
Mr John Travers	Chief Executive Officer Forfás
Ms Jane Williams *	Managing Director The Sia Group Limited
National Competitiveness Council	Secretariat Forfás Wilton Park House Wilton Place Dublin 2 Tel: 01-607 3000 Fax: 01-607 3030 e-mail: ncc@forfas.ie Website: www.forfas.ie

* Appointed on 18 July 2000



Contents

Summary Of Recommendations	
1. Why Skills Are Important	6
1.1. The Macroeconomic Context	6
1.2. The Labour-Market Environment	7
2. What Has Been Done	9
3. What Needs To Be Done	11
3.1. Quantitative Measures to Increase the Size of the Domestic Labour Force	11
i. Encourage married women over 35 to rejoin the workforce	12
ii. Encourage older people to re-enter the workforce	13
iii. Attract those on the margins into the labour force	14
iv. Augment the domestic labour force from abroad	15
3.2. Qualitative Measures to Ease Skills Shortages	16
v. Promote functional literacy and numeracy	16
vi. Encourage young people to stay in education	17
vii. Raise education participation by mature students	18
viii. Provide more apprenticeship training	18
ix. Increase in-company training	19
x. Develop e-Business skills	20
xi. Develop interpersonal skills	20
xii. Implement Expert Skill Group proposals	20
3.3. Conclusion	21
List of Publications	22



Summary of Recommendations

QUANTITATIVE MEASURES

1. ENCOURAGE MARRIED WOMEN OVER 35 TO REJOIN THE WORKFORCE
 - Complete the three-year tax individualisation programme initiated in Budget 2000.
 - Agree childcare supports, by end-2000, and implement, by end-2002.
 - Raise training provision for women contemplating a return to paid employment. Such training should be centred on skills enhancement and should be targeted on areas of labour scarcity in the open labour market.
2. ENCOURAGE OLDER PEOPLE TO RE-ENTER THE WORKFORCE
 - Enhance efforts to attract older people to participate in state training and retraining programmes.
3. ATTRACT THOSE ON THE MARGINS BACK INTO THE LABOUR FORCE
 - Extend the engagement programme of the National Employment Action Plan to include those already long-term unemployed in addition to those moving into long term unemployment.
 - Raise awareness, through the Local Employment Service, of the availability of jobs and training supports in areas of persistent high unemployment.
4. AUGMENT THE DOMESTIC LABOUR FORCE FROM ABROAD
 - Permit persons from outside the EEA, possessing specific high-level skills identified as scarce in Ireland, to acquire visas to work in Ireland without employer sponsorship.
 - Promote immigration in required skill areas, through FÁS, and develop an online database with information on individuals seeking work and on employers seeking to recruit staff.

QUALITATIVE MEASURES

5. PROMOTE FUNCTIONAL LITERACY AND NUMERACY
 - Test functional literacy and numeracy more regularly within the schools system.
 - Include modules on literacy and numeracy in state job subsidy schemes and re-integration programmes for the unemployed.
 - Encourage employers to incorporate remedial education, where necessary, into induction training or to release existing staff to participate in such programmes outside the workplace.

6. ENCOURAGE YOUNG PEOPLE TO STAY IN EDUCATION

- Monitor the effectiveness of recent initiatives to encourage students, in the senior cycle of second-level education, to stay in school.

7. RAISE EDUCATION PARTICIPATION BY MATURE STUDENTS

- Increase flexibility of post-second level course delivery through developing a much wider range of part-time options, distance learning, flexible completion and Computer Based Training and ensure that the content of courses meets the real needs of employers.

8. PROVIDE MORE APPRENTICESHIP TRAINING

- Increase training capacity quickly in order to reduce existing bottlenecks and, if necessary, consider the use of overseas institutions and trainers to effect a reduction in the existing training backlog.

9. INCREASE IN-COMPANY TRAINING

- Ensure that employer and trade union organisations are represented on the decision-making bodies of the new National Training Fund.
- Allocate extra funds to support adaptation training and lifelong learning when additional resources become available to the National Training Fund.
- Emphasise the development of collaborative training through the Skillnets approach.

10. DEVELOP e-BUSINESS SKILLS

- Identify e-business training needs with private sector trade associations and communicate them to companies.
- Provide for the development of e-business skills, through the education system including (i) flexible delivery of modules, which recognise that a mix of technical, business and creative skills are required, (ii) specialist post graduate programmes, (iii) integration of e-business into existing third-level programmes, including art and design, and (iv) routine teaching of standard IT skills at second-level to a certificated degree of proficiency such as the European Computer Driving License.

11. DEVELOP INTERPERSONAL SKILLS

- Include interpersonal skills, such as teamwork and communications, in second and third level courses and in company training programmes.

12. IMPLEMENT EXPERT SKILL GROUP PROPOSALS

- Implement recommendations, relating to researchers and construction craftspersons, in the *Second Report of the Expert Group on Future Skills Needs*.

1 WHY ARE SKILLS IMPORTANT

Skills will be the key determinant of future competitiveness in the context of accelerating technological change. Against this background the National Competitiveness Council published a statement, in December 1998, which outlined a strategy for skill development. The Council made further proposals in its “Annual Competitiveness Reports” in 1999 and 2000 and in its “Competitiveness Challenge 2000” report. Significant progress has been achieved on foot of the Council’s recommendations but further action is required to expand and develop the labour force and to raise skill levels. Other countries are investing heavily in upgrading labour-force skills and a sustained high level of investment is required to even maintain our competitive position.

1.1. THE MACROECONOMIC CONTEXT

Ireland’s economic boom, which commenced in 1993, has continued into the new millennium. The pace of economic growth has shown no sign of slackening. In a recent economic assessment, the Central Bank of Ireland is forecasting that Irish real Gross National Product would increase by 8.25% in 2000, maintaining the rate of economic expansion seen in 1999.¹

The Irish economy expanded by almost three-fifths in size between 1993 and 1999, as measured by real expenditure on Gross National Product. Economic growth on this scale sustained over time has called almost all available Irish resources into production which is now approaching the limits of current capacity.

Scarcity in housing markets and congestion in transportation markets are indicative of the current pressure on existing physical capacity. These pressures are mirrored in labour markets. By April 2000, the unemployment rate, derived from monthly Live Register data, had fallen to 4.7%. The Irish economy is not only suffering from shortages of specific skills, but from a generalised scarcity of labour.²

In conditions of growing congestion and scarcity on the supply side, it is becoming more difficult to accommodate continuing rapid increases in demand. As a result, excess demand pressures are intensifying across the economy, and are manifesting themselves progressively in higher prices, costs and wages. If unrelieved, such excess demand pressures will, over time, gradually undermine national cost competitiveness.

Irish Governments enjoy fewer degrees of freedom in the policy sphere than in the past. Monetary and exchange rate policies are now effectively outside the control of the Irish authorities. On the home front, Ireland can no longer raise domestic interest rates to dampen the demand for loans and credit by consumers, house-buyers or industrial investors. Attempts to tighten budgetary policy by raising taxes would merely invite compensating claims for higher money wages while also deterring the economically inactive from entering the labour-market. Reducing public capital spending would leave the physical infrastructure gap unfilled.

1 Central Bank of Ireland, Quarterly Bulletin, Spring 2000, Table 1, page 14

2 Expert Group on Future Skills Needs, Second Report, Forfás, 2000, page 16

In the external domain, exchange rate policy is now also outside the hands of the domestic authorities. Over the past year, the weakness of the Euro, and hence the Irish pound, against the US dollar and sterling has led to a sharp improvement in the short-run cost competitiveness of Irish output on US and British markets. This has added further foreign demand to an already-overheating domestic market.

Attempting to reduce demand in the economy by consciously seeking to sacrifice cost competitiveness would represent an unacceptable risky shift in public policy on three counts:

- first, it would wholly reverse the strategy of regaining and improving cost competitiveness on which the current economic boom rests;
- second, as Ireland learned in the early 1980s, price/wage spirals are inherently unmanageable. Once ingrained in the economic process, inflationary expectations are difficult to break without recourse to wholesale deflation; and
- third, a permissive approach to the erosion of cost competitiveness would be extremely dangerous where the exchange rate is externally-determined. Where Irish inflation continued to accelerate, a sudden strengthening of the Euro would administer a substantial adverse competitive shock to the Irish economy.

With little realistic scope for moderating the rate of demand growth other than by engineering competitive losses, the Irish authorities have little option but to concentrate on expanding the economy's supply side in their efforts to close the gap between demand and supply. In assessing strategy and priorities the "National Development Plan 2000-2006" identifies a number of "Weaknesses" in the Irish economy including human resource skills and training needs.

1.2. THE LABOUR-MARKET ENVIRONMENT

The gains in employment and the reductions in unemployment achieved since the economic boom commenced in 1993 have been remarkable. They are summarised in Table 1.

<i>In 000s of persons (ILO basis)</i>			
CATEGORY	Q2 1993	Q4 1999	CHANGE
At Work	1,183	1,647	+464
Unemployed	220	89	-131
Labour Force	1,403	1,736	+333
Population over 15 years	2,646	2,948	+302
Unemployment Rate	15.7%	5.1%	- 10.6*
Long-term Unemployment Rate	8.9%	2.1%	-6.8*
Labour Force Participation Rate: Men	68.0%	71.1%	+3.1*
Labour Force Participation Rate: Women	38.2%	47.1%	+8.9*

* Changes shown in percentage points
SOURCES: Labour Force Survey 1993, Part 3, CSO, March 1995; Quarterly National Household Survey - Fourth Quarter 1999, CSO, 7 March 2000.

As shown in Table 1, the total number of people at work in Ireland increased by 464,000 or by almost two-fifths (39.2%) between the second quarter of 1993 and the fourth quarter of 1999.

This extraordinary growth in employment in the space of just six and a half years was facilitated by three distinct factors:

- The population aged 15 years and over increased rapidly, rising by 302,000 or 11.4% over the period. This growth reflected the combined effects of the high birth rates of the late 1970s, the cessation of net emigration and the commencement of net immigration
- Rising labour force participation rates, particularly amongst women. In the second quarter of 1993, only 38.2% of women aged over 15 were economically active. By the final quarter of 1999, 47.1% of women aged over 15 were participants in the labour-market. Together, the growth in the population of working age and the rise in labour force participation rates caused the Irish labour force to increase by one-third of a million people between the second quarter of 1993 and the fourth quarter of 1999, and
- Within the labour force, there were significant transfers from unemployment to employment. Unemployment on ILO definitions declined by 131,000 between Q2 1993 and Q4 1999 to stand just below 89,000 at the end of 1999. Over the period, the ILO unemployment rate fell by more than ten percentage points to reach 5.1% in the final quarter of 1999. By the end of the decade, those out of work for over a year comprised just 2.1% of the labour force.

These three forces - a growing population of working age, rising labour force participation rates and falling unemployment - provided the people to fill the jobs that have been created since the boom began in 1993.

Since the end of 1999, the ILO unemployment rate has fallen further, to stand at just 4.7% of the labour force by April 2000. This indicates the extent to which the labour-market has tightened in the course of the boom.

Further evidence of labour scarcity is provided by the extensive range of unfilled job vacancies across the occupational spectrum. As far back as August 1998, a survey conducted by the ESRI for Forfás and FÁS found that 27% of non-farm private sector firms surveyed reported unfilled vacancies and 24% of the total survey classified these vacancies as difficult-to-fill. In all, the firms surveyed identified 53,600 unfilled job vacancies, equivalent to 6.2% of their current employment levels. In proportionate terms, labour shortages were most pronounced in high-skill occupations. However, the absolute numbers of vacancies were highest in low- to intermediately-skilled occupations.³

Thus, by the end of the 1990s, workers were in short supply across almost all occupations and industries. This indicates the magnitude of the problem faced by policymakers when they seek to source the workers needed to translate the National Development Plan into reality.

Labour market conditions at the start of this new millennium are fundamentally different than in 1993. At that stage, labour - even highly-qualified and skilled labour - was readily available.

Moreover, the difficulties faced by policymakers are compounded by the imminent decline in the numbers of new domestic entrants to the labour force. The number of Irish births attained a recent peak in 1980, and fell away sharply in the ensuing fifteen years. This decline in the birth rate through the 1980s and into the early 1990s will be reflected in the years ahead in reduced domestic entry rates to the labour force.

³ 'National Survey of Vacancies in the Private Non-Agricultural Sector in August 1998', ESRI, 1999

Ireland's investment in education and skills has played a central role in the economic growth experienced over the past decades. Since the 1960s, the share of national income devoted to education has doubled. In recent years, the government has made major commitments to investments in education and training.

Employment and human resource developments have received considerable funding under the new National Development Plan. The Plan considers people to be the country's most important asset and will invest almost IR£10 billion to increase their employability and adaptability, encourage entrepreneurship and promote equal opportunity.

An *Expert Group on Future Skills Needs* was set up, under the aegis of Forfás, by the Government in late 1997 as part of a Business, Education and Training Partnership. The remit of this Partnership is to assist in the development of national strategies to tackle the issue of skills needs, manpower needs estimation, and education and training for business. Following publication of the First Report by the Expert Group the Government, in April 1999, approved the allocation of an additional IR£75 million (€95.2 million) for the provision of 5,400 third level places for the electronics and software sectors. The second report of the Expert Group, published in March 2000, recommends 1150 additional third places for the pharmaceutical, chemical, food and biotechnology sectors, to be introduced on a phased basis, and recommends initiatives to improve the availability of skills for research and for the construction sector.

The Government has introduced several recent initiatives including the following which are being implemented to encourage the take-up of employment:

- Individualisation

The introduction of individualisation in Budget 2000 will provide an incentive to enter employment, particularly for married women to re-enter the workforce as they will now have the benefit of their own standard rate band. Previously their spouse would have used the couple's married allowances and standard rate band, meaning that the second spouse would start paying tax at the higher rate. After the introduction of individualisation, the second spouse will have his/her own standard rate band worth up to £6,000, which reduces their tax bill by £1,320 per annum. Under the new standard band arrangements, the single standard band is increased to £17,000. Two income married couples will have a combined standard rate tax band of up to £34,000 per annum (with a maximum transferability of £28,000) which is equal to two single bands of £17,000 each. The married one income couple will continue to have a standard rate band of £28,000 which will be available to the taxpaying spouse.

This change will ensure that all those earning the average industrial wage pay tax at no more than the standard rate. It has significantly reduced the percentage of taxpayers paying at the higher rate, from 46% to 39% and 125,000 taxpayers have been removed from the top rate. Single workers and couples with two incomes will, in particular, benefit. Furthermore, upon completion of individualisation, the percentage of all income earners on the higher rate will have been reduced to 12%, when exempt cases are included.

- Pay Increases

In addition to benefits, those returning to work and gaining from the widening of the standard rate band will also be able to avail of pay increases negotiated under the Programme for Prosperity and Fairness (PPF). As stated in the PPF:

“Over the period of the PPF, up to and including Budget 2003, there will be increases in net take home pay, including pay increases, of up to 25% or more.”

The introduction of the National Minimum Wage (£4.40 per hour) in April of this year will guarantee all low-income earners a minimum income of £172 per week. As part of the PPF, a commitment has been made to remove all those earning the national minimum wage, over time, from the tax net.

- PRSI Exemption Limit

A PRSI exemption limit of £11,750 has been introduced and consequently employees earning £226 per week or less will be exempt from paying PRSI.

- Health Levy Exemption Limit

The earnings limits for exemption from the 2% Health Levy has been increased to £14,560 and as a result employees earning up to £280 per week will not pay the levy.

Initiatives in the **training** area include the following:

- A “Skillnets” Programme was introduced by IBEC and ICTU, with financial support from EU and the Exchequer. This is encouraging training on a joint basis by companies with similar training needs.
- Under the PPF spending on Active Labour Market Programmes (ALMPs) will shift to training in order to better reflect market and individual needs. To complement this, an appraisal of ALMPs will be conducted with the aim of contributing to national competitiveness by increasing labour supply, through the integration of unemployed persons into the labour market.
- Priority was given to unemployed persons on the Live Register for access to FÁS training when unemployment was at a high level in recent years. This excluded many women who wished to pursue such training, but this situation no longer pertains. In addition FÁS has developed and expanded its Return to Work Programme, which is specifically targeted at women returning to the labour market. All FÁS’s skills training programmes show a high progression rate into employment. CERT training, which also has a high progression rate, is open to all women who register with FÁS as seeking employment in terms of increasing the supply of older workers.

WHAT NEEDS TO BE DONE

The domestic authorities do not possess the policy instruments to effect a significant reduction in aggregate demand in the short-run.

Actively encouraging, or passively accepting, cumulative losses in domestic cost competitiveness as a means of checking demand growth in the medium-term is a strategy fraught with danger. It should not be countenanced under any circumstances. For once rising inflation takes hold in the economy, its grip may prove very difficult to loosen.

In these circumstances, a medium-term moderation in the rate of current public expenditure growth together with continuing efforts to expand the economy's supply side offer the best opportunities for curbing excess demand.

In the labour-market, the supply of labour can be increased in two quite distinct, but mutually-reinforcing, ways:

- **Quantitative Increases:** Policy can be directed at increasing the size of the labour force, both from domestic and foreign sources and,
- **Qualitative Increases:** Policy can seek to increase the capabilities and skills of those entering the labour force and those already at work, thereby enhancing their capacity to produce output. Such productivity gains raise the amount of output that can be produced by a labour force of a given size. As a result, productivity gains raise the effective labour supply.

Specific policy interventions that could add to the size and quality of the labour force are examined under both headings below.

3.1. QUANTITATIVE MEASURES TO INCREASE THE SIZE OF THE DOMESTIC LABOUR FORCE

With an ILO unemployment rate of just 4.7% at April 2000, the Irish economy appears to be approaching full employment. But the unemployment rate only measures the proportion of the labour force that is available for and actively seeking work. It overlooks the fact that, despite significant increases during the boom years, the Labour Force Participation Rate (LFPR) in Ireland for persons over 14 years of age stood at just 58.9% at the end of 1999. There were significant divergences in LFPRs between men and women, at 71.1% and 47.1% respectively.

A number of policy initiatives can be contemplated to raise participation rates in the labour-force amongst the population aged 16 and over and particularly amongst the working age population. Simultaneous action on the fronts outlined below could significantly raise the size of the labour force in the years ahead, thereby easing labour scarcity and minimising competitiveness-eroding upward pressure on wages.

i. Encourage married women over 35 to rejoin the workforce

The existing labour force mobilisation measures are heavily weighted towards the unemployed, particularly the long-term unemployed (LTU). The problem is there are not many unemployed and even fewer LTU left to activate. As a result, even if the planned measures were wholly successful, the impact on the labour supply would be relatively minor in the years to 2006. Measures should be specifically directed at activating married women currently outside the labour force (i.e. women who are not unemployed).

Labour Force Participation Rates amongst women have risen very rapidly over the past decade. As can be seen from Table 2, single women's LFPRs are above 70% for all age cohorts between 20 and 54 years, peaking at 85.9% in the 25 to 34 year old age group.

Labour Force Participation Rates are lower amongst married women, though they do not dip below 50% until the 45-54 age cohort is reached.

With participation rates amongst single women already so high, activation efforts must necessarily centre on married women, and particularly married women over the age of 35 years.

TABLE 2

WOMEN'S LABOUR FORCE PARTICIPATION RATES: Q4 1999

Percentage of women in each age cohort by marital status participating in the labour force

CATEGORY	20-24	25-34	35-44	45-54	55-59	60-64
Single	72.7%	85.9%	80.1%	70.6%	50.3%	32.5%
Married	56.6%	67.0%	58.3%	47.3%	31.7%	17.4%
All Women	72.1%	76.2%	62.3%	50.1%	34.4%	19.5%

SOURCE: Quarterly National Household Survey - Fourth Quarter 1999, CSO, March 2000, Table 5.

Three policies would encourage married women to enter or re-enter the labour force:

- first, efforts to reduce the direct taxes borne by working married couples must be continued. The three-year tax individualisation programme introduced in Budget 2000 represented a first step in the right direction. Now that tax individualisation has been endorsed by the Programme for Prosperity and Fairness, it is imperative that the Government complete the individualisation process in the next two Budgets;
- second, the ability of married women to exercise their choice to work outside the home is heavily circumscribed by the continuing high cost and inadequate provision of community childcare facilities. The National Development Plan (NDP) and the PPF provide for a range of measures to reconcile work and family commitments. In particular, the NDP allocates £250m to increase the capacity and quantity of childcare provision. This provides for grants and tax incentives towards the capital cost of childcare facilities but the issue of

subsidies for children, whether by direct payment per child or by tax relief, has yet to be decided.

The PPF calls for reviews of the maternity protection and parental leave Acts, as well as the promotion of other family friendly policies and commits the Government to have an equitable strategy to support parents in meeting their childcare needs in place by end-2000 and to implement them in the years ending 2002. This commitment should be honoured;

- third, many married women who want to return to work outside the home after a prolonged absence may believe that the skills they once possessed have been depreciated by the passage of time. As a result, many are reluctant to rejoin the paid workforce because they believe that they would only qualify for low-skill jobs. This indicates the need for the provision (from both public and private sectors) of a range of re-training, re-skilling and skills upgrading programmes specifically fashioned for women considering workforce re-entry, backed by career advice and counselling. Some of these interventions could also be utilised to assist older people returning to work and where appropriate this should be recognised. Such programmes, when developed, should be widely advertised.

Recommendations:

- Complete the three-year tax individualisation programme initiated in Budget 2000.
- Agree childcare supports, by end-2000, and implement, by end-2002.
- Raise training provision for women contemplating a return to paid employment. Such training should be centred on skills enhancement and should be targeted on areas of labour scarcity in the open labour market.

ii. Encourage older people to re-enter the workforce.

Labour Force Participation Rates decline sharply for both men and women over the age of 55 years. This can be seen from Table 3. Measures are required to activate more of these older people who are currently outside the labour force.

As shown in Table 3, just over half of the population aged between 55 and 59 years are members of the labour force, while this proportion slips to just over one-third in the 60 to 64 year old age cohort.

TABLE 3

LABOUR FORCE PARTICIPANTS RATES AMONGST OLDER PEOPLE FOURTH QUARTER 1999

CATEGORY	45-54	55-59	60-64	65 AND OVER
Men	88.6%	74.2%	53.1%	15.4%
Women	50.1%	34.4%	19.5%	2.7%
All Persons	69.5%	54.5%	36.2%	8.2%

SOURCE: QNHS Q4 1999, March 2000, CSO, Table 5.

Many of those aged between 55 and 64 would welcome the opportunity to return to work, for social as well as for financial reasons. Policies seeking to entice older people back into the labour force must, however, take account of the fact that many older people may only be prepared to work on a part-time basis. Companies should be encouraged to build on their existing skill base by retaining employees beyond the normal retirement age through part-time working, home working and other flexible mechanisms.

Training for older people re-entering the workforce is particularly important and should be provided, where appropriate, on the same basis as outlined for married women re-entering the workforce in 3.1.(i) on page 12.

Recommendation:

- Enhance efforts to attract older people to participate in state training and retraining programmes.

iii. Attract those on the margins into the labour force

With ILO⁵ unemployment now reduced to such low levels, and much short-term unemployment consisting of those switching jobs - the contribution that further reductions in unemployment can make to easing labour scarcity in the future is extremely limited.

However, there are many outside the labour force altogether, and who are therefore not classified as unemployed, who say that they want work. Their numbers are substantial, as can be seen from Table 4.

Table 4 shows that the surge in economic activity has halved the potential labour supply since 1993. However, by the end of 1999, those who were outside the labour force but who were looking for work actually outnumbered those who were unemployed. At end-1999, ILO unemployment stood at 88,700 while those outside

TABLE 4 ⁶

THOSE OUTSIDE THE LABOUR FORCE WHO SAY THEY WANT WORK

In '000s of people

CATEGORY	Q2 1993	Q4 1999
Discouraged Workers	20.3	13.1
Passive Jobseekers	11.9	2.9
Persons not in Education who want work*	63.5	64.3
Persons in Education who want work*	81.1	39.0
POTENTIAL LABOUR SUPPLY OUTSIDE UNEMPLOYMENT	176.8	119.3
ILO UNEMPLOYMENT	220.1	88.7
TOTAL POTENTIAL LABOUR SUPPLY	396.9	208.0

* 'Persons who want work' are those who are looking for work but are unavailable and those who say they want a job but are not looking for work.

SOURCES: QNHS, CSO, Table 9, November 1998 and Table 10, March 2000. These data are used by the CSO to construct its 'Indicators of Labour Supply' as shown in the QNHS.

5 International Labour Organisation - Geneva.

6 ILO survey is based on a sample chosen from each national workforce. The survey focuses on questions of whether the individual is in work now, whether he/she has worked in the recent past, whether he/she is actively searching for work, how long he/she has been out of the workforce. The ILO unemployment figures are based on an analysis of responses.

the labour force who wanted work numbered 119,300. The latter group comprised those who were marginally attached to the labour force - discouraged workers and passive jobseekers - and those who said they were looking for work, but were either unavailable or not conducting job searches.

Thus, there is an untapped source of potential labour supply within the economy. However, since many within this group are relatively passive, they are difficult to reach and to activate. Nonetheless, efforts should be strengthened to integrate these groups into the national workforce. This may require:

- more strenuous search and publicity efforts targeted on these groups by the revitalised National Employment Service within FÁS. These activation efforts should be assisted by the introduction of the minimum wage,
- the provision of more family friendly workpolicies by employers, to meet changing lifestyle requirements including not only part-time work, paid education and training leave but home-working and teleworking options, and
- Continue with the extension of the engagement programme under Guidelines 1 and 2 of the Employment Action Plan; and further extend this programme to cover those already long-term unemployed (stock) in addition to those moving into long-term unemployment (flow).

The number of long term unemployed is reducing and many of those who are still unemployed require more customised training and job placement support. People with disabilities also require specific advice and training to re-enter the workforce.

Around 42,000 people were employed on Community Support Schemes and it is planned to reduce this to 25,000 over a three year period. The speed and degree of this reduction may not, however, be sufficient because of the need for people in other parts of the Labour Force. Progress could be facilitated through implementation of a commitment in the Programme for Prosperity and Fairness to review the Active Labour Market Programme, which includes a range of job initiatives.

Recommendations:

- Extend the engagement Programme of the National Employment Action Plan to include those already long-term unemployed in addition to those moving into long-term unemployment.
- Raise awareness, through the Local Employment Service, of the availability of jobs and training supports in areas of persistent high unemployment.

iv. Augment the domestic labour force from abroad

In addition to raising the domestic labour supply, the labour force can be augmented from abroad. The Tánaiste has indicated this year that over the seven years 1999-2006, net work-related immigration inflows of 200,000 people would be needed to obviate severe scarcity arising in the Irish labour market.

In March 2000, the Government introduced a new Working Visa system for immigrants, from outside the European Economic Area (EEA) countries, who possess skills that are in short supply in Ireland. This will enable people in nominated occupational categories to obtain a working visa through the Irish Embassy in their home country if they have secured a job offer in Ireland. The occupational categories initially targeted are nurses, construction professionals and

ICT professionals. These initiatives represent a welcome official recognition of the extent of current skills shortages prevailing in the Irish labour market. However, if the impact of the initiatives is not to be blunted, it is imperative that sufficient administrative staff are available to swiftly process the increasing number of visa applications.

A recent Vacancy Survey carried out by the ESRI on behalf of Forfás and FÁS shows that vacancy rates continued to increase from 5.8% in 1998 to 6.5% in 1999. The vacancy rate for engineering technicians increased from 10.4% to 15.5% in the same period while the vacancy rate for computer professionals declined from 13.6% to 8.6%.

The Council considers that the current immigration system should be developed further by providing working visas to people in nominated occupational categories, who have not yet secured a job offer in Ireland. A skills based system of this nature is used in other countries and would be a logical extension of the present system in Ireland. It would involve a clearance process in the embassies or consulates to establish the credentials and qualifications of the applicant. This process might be carried out by an Agency, appointed by the Government, to advise on international qualifications and authenticate the qualifications and experience of applicants.

Safeguards should be put in place to ensure that there is no risk of an open-door immigration policy. Only those in specific skill categories, where there is a clear need for skills not otherwise available, should be considered for working visas. The categories and numbers required in each category should be revised annually in the light of an updated evaluation of skill needs.

Recommendations:

- Permit persons from outside the EEA, possessing specific high-level skills identified as scarce in Ireland, to acquire visas to work in Ireland without employer sponsorship.
- Promote immigration in required skill areas, through FÁS, and develop an online database with information on individuals seeking work and on employers seeking to recruit staff.

3.2. QUALITATIVE MEASURES TO EASE SKILLS SHORTAGES

Measures to raise the supply of specific skills in particular occupations are best formulated by industry and sectoral groups or by dedicated organisations such as the *Expert Group on Future Skills Needs*. More generally, however, raising the general competencies and capabilities of the population offers a means of increasing the effective supply of labour by enhancing productivity or output per person employed. The measures discussed below are all targeted on increasing the quality of the Irish labour force, present and future.

v. Promote functional literacy and numeracy

Continuation rates in second-level education and transfer rates to post-secondary education have increased significantly in Ireland over the last two decades. However, this should not obscure the reality that problems with functional literacy and numeracy persist, and not only in the older age cohorts. Thus, Morgan found in his 1997 Irish literacy survey for the OECD that about one-sixth of young Irish

people between the ages of 16 and 25 were at the lowest level of functional literacy.⁷ These findings require a response. Such a response could include the following measures:

- Independent testing of basic literacy and numeracy should be more frequently undertaken during the years of compulsory schooling and remedial measures should be readily available where deficiencies are identified,
- State-supported job subsidy schemes, such as the Community Employment Programme, and reintegration training for the unemployed should contain required modules on literacy and numeracy and,
- A part of the enhanced funding for the National Adult Literacy Agency, under the National Development Plan, should be dedicated to the provision of basic literacy and numeracy programmes within enterprises. Employers should be encouraged to incorporate such remedial courses into their induction training where appropriate and to release existing staff to participate in such programmes.

Recommendations:

- Test functional literacy and numeracy more regularly within the schools system.
- Include modules on literacy and numeracy in state job subsidy schemes and re-integration programmes for the unemployed.
- Encourage employers to incorporate remedial education, where necessary, into induction training or to release existing staff to participate in such programmes outside the workplace.

vi. Encourage young people to stay in education

The current tightness of the labour-market, rising real wages and the introduction of the minimum wage are contributing to school absenteeism at second level and are making it more attractive for some young people to drop out of school before taking the Leaving Certificate. Employers should not encourage young people, either directly or as a result of work experience placement, to take up employment before the senior cycle is completed. Part time work should not be unduly encouraged, should be kept to a minimum, should be provided at holiday time, and, if possible, should not be offered in the final year of the senior cycle.

The “*New Deal – A Plan for Educational Opportunity*”, launched by the Taoiseach and the Minister for Education and Science in December 1999, contains a range of measures costing over £30m to encourage pupils to stay on in school. These include systematic tracking of absences with follow up action; additional teaching hours targeted at pupils at risk of leaving the system; after hours initiatives; enhanced community outreach provision and individual support with numeracy and literacy. A Fund will enable increased guidance provision to be made in second-level schools. Because of the many and often complex reasons why pupils might leave school early, the “New Deal” measures, should be allowed time to work. It is important, however, that this is carefully monitored to see if it is working well and, if not, to consider additional initiatives.

⁷ Problems of Literacy Among Irish Adults: How Bad are They and What Can Schools Do?, Mark Morgan, Issues in Education, STI Education Journal 1999, page 4.

Recommendation:

- Monitor the effectiveness of recent initiatives to encourage students in the senior cycle of second-level education to stay in school.

vii. Raise education participation by mature students

Reporting in 1999, the de Buitléir Committee recommended that Ireland should aim to achieve and then to hold a position well within the top quartile of OECD countries in terms of participation in post-second level education and training. Ireland's educational revolution is of relatively recent vintage and many of those now at work did not enjoy, or could not avail of, participation in post-second level education.

There is a decline in the number of students taking the Leaving Certificate due to demographic changes. The proportion taking science and technology in second and third level is also declining. In this situation companies should actively encourage their existing employees to obtain further qualifications – those without formal qualifications to become technicians and those already at technician level to obtain degrees. There is also a need to encourage mature students from other areas to undertake science and technology courses. Companies should release employees from work to undertake the necessary studies and the education sector should design their programme to meet the needs of companies and their employees.

With an imminent decline in the numbers reaching college-going age, the opportunity now exists to increase education and training participation rates amongst mature students. Indicative targets suggest that mature students over 23 years of age will comprise 15% of the intake into colleges from 2005 onwards.

However, even where they aspire to enhance their education or training, many potential mature students may be unwilling to interrupt their careers by returning to education on a full-time basis. The cost of fees can deter people from part-time education, although the fees are sometimes paid by the employers.

Recommendation:

- Increase flexibility of post-second level course delivery through developing a much wider range of part-time options, distance learning, flexible completion and Computer Basic Training and ensure that the content of courses meets the real needs of employers.

viii. Provide more apprenticeship training

Apprenticeship training has expanded very rapidly in recent years and the number of apprentices registered has risen from 6,555 in 1996, to 23,000 in July 2000. With the annual intake continuing to increase, apprentice numbers are now placing severe strains on existing training capacity.

Even with this very rapid expansion in apprenticeships, the number of skilled crafts-persons in some important spheres such as construction are still expected to be insufficient to meet expected demand in 2003.⁸

Given these conditions, it is particularly important that current apprentice intakes receive their statutory training on time. The current training system is severely overloaded, and there is a pressing case for investing in increased capacity.

⁸ Expert Group on Future Needs, Second Report, Forfás, 2000, page 9

Financial and human resources should be allocated as a priority and relevant Government departments should co-operate fully to ensure that the issue is speedily resolved.

Work pressure in companies is often heavy and this can make it difficult to release apprentices for training programmes. Maximum attendance is, however, important particularly in the context of inadequate capacity and is in the long-term benefit of the companies.

Recommendation:

- Increase training capacity quickly in order to reduce existing bottlenecks and, if necessary, consider the use of overseas institutions and trainers to effect a reduction in the existing training backlog.

ix. Increase in-company training

There is some evidence that the provision of enterprise training in Ireland is improving. Recent *Expert Group on Future Skill Needs* and IBEC reports show that employers are investing over 3% of payroll on training compared with 1.5% in 1994. Training networks under the Skillnets initiative appear to be growing in number.

The need to enhance enterprise training, and particularly adaptation training, is acute given the scale of structural shifts in production within the Irish economy and the growing competitive threats from without. There is a need to move the skills of individuals up the value chain so that their output becomes technologically more advanced. However, less than 5% of the annual state training budget is targeted at those in employment. Some reallocation of this investment would increase the productivity of the existing workforce and, by upskilling those at work, would create a vacuum which would allow unemployed people back into the workforce.

The National Training Fund, announced in Budget 2000, can make a significant contribution to raising in-company training performance in the years ahead if this role is clearly defined for it from the outset. The Fund is to be financed by a diversion of 0.7% of employers' PRSI contributions and, initially, it involves no additionality in training provision. If its potential is to be harnessed, the Fund should be enterprise led, to ensure effectiveness and relevance to industry needs, and should:

- include representatives of both employer and the trade union organisations on its decision-making bodies in order to ensure that training provision meets the demands of the world of work, and
- concentrate its training thrust on enterprise training, with particular emphasis on adaptation, when new resources permit additionality.

Recommendations:

- Ensure that employer and trade union organisations are represented on the decision-making bodies of the new National Training Fund.
- Allocate extra funds to support adaptation training and lifelong learning when additional resources become available to the National Training Fund.
- Emphasise the development of collaborative training through the Skillnets approach.

x. Develop e-business skills⁹

The full skills implications emerging from e-business are broader and more complex than just the supply and demand for IT graduates. The Council is of the view that the supply and quality of e-business skills will be the major factors determining Irish success in e-Business. A multi-faceted approach is required to ensure that the various skills are available in sufficient quantity to accommodate rapid growth.

Recommendations:

- Identify e-business training needs with private sector trade associations and communicate them to companies.
- Provide for the development of e-business skills, through the education system including (i) flexible delivery of modules, which recognise that a mix of technical business and creative skills are required, (ii) specialist post-graduate programmes, (iii) integration of e-business into existing third-level programmes, including art and design, and (iv) routine teaching of standard IT skills at second-level to a certificated degree of proficiency such as the European Computer Driving License.

xi. Develop interpersonal skills

While acquiring technical knowledge and competencies is vital, the “interpersonal” skills, such as team work, communications and enterprise appreciation, are as important in building a competitive firm as the “technical” skills of operating machines, testing new products or checking goods into a warehouse. These skills should be included in education programmes and in company training programmes.

Recommendation:

- Include interpersonal skills, such as teamwork and communications, in second and third level courses and in company training programmes.

xii. Implement Expert Skill Group proposals

To ensure Ireland’s growth on a sustainable basis, the country must continue to develop a knowledge-based economy. The ***Second Report of the Expert Group on Future Skills Needs***, in adverting to this, points to the importance of increasing the number of people attaining doctorate level academic qualifications (PhDs) and the particular need to increase the numbers undertaking research at PhD level. The recommendations of the Expert Group in this regard, which include more financial support for researchers and the encouragement of immigration, should be implemented. The Group’s commitment to closely monitor the situation in regard, to any shortfall of researchers, arising through implementation of the Government’s major Science and Technology initiatives, and the areas of most pressing need for these researchers, is welcome.

Acute skills shortages are affecting the construction industry which now accounts for 16% of GDP, compared with an EU average of 10%. The industry is critical to the delivery of the National Development Plan which includes construction projects worth over £22 billion. The ***Second Report of the Expert Group on Future Skill Needs*** proposes a series of initiatives for increasing individual construction craftsman skills on an accelerated basis, including the provision of resources for places on apprenticeship programmes.

⁹ Based on outcome of workshop conducted by Forfás on behalf of NCC - April 2000.

Recommendation:

- Implement recommendations, relating to researchers and construction craftpersons, in the *Second Report of the Expert Group on Future Skills Needs*.

3.3. CONCLUSION

These initiatives, quantitative and qualitative, would assist in making the best use of scarce available labour resources and directing them to where they are most needed. In the absence of active labour mobilisation and skills enhancement policies, excess demand will persist in the labour-market, exerting continuous upward pressure on wages and jeopardising Irish cost competitiveness in the medium-term. In current tightening labour-market conditions, taking no action is the most expensive option.

List of Publications

Annual Competitiveness Report 1998	March 1998
The Competitiveness Challenge Summary Statement 1998	March 1998
Statement on Telecommunications: A Key Factor in Electronic Commerce and Competitiveness	November 1998
Statement on Skills	December 1998
Annual Competitiveness Report, 1999	May 1999
Report on Costs	June 1999
Statement on Social Partnership	September 1999
Proposals on Transport Infrastructure, the Planning Process and Public Transport	March 2000
Competitiveness Challenge, 2000	May 2000
Annual Competitiveness Report, 2000	May 2000
Statement on Telecommunications, e-Business and the Information Society	July 2000
Statement on Regulatory Reform	July 2000
Statement on Labour Supply and Skills	September 2000

