



Department of Education and Skills

Department of Public Expenditure and Reform

Submission on the National Training Levy and
Funding Higher Education, Further Education
and Training

April 28th 2017

Executive Summary: Strategic Decisions Required

This consultation on future funding mechanisms for higher education, further education and training is taking place during a period of growth, but not one without significant uncertainty. As a small open economy, Ireland's prospects are dependent on international trade and influenced by global investment flows. The country's talent strategy will be an important pillar to future-proof the economy.

Industry and the FDI sector make significant contributors to higher and further education institutions through research and innovation programmes, curriculum development support and work placement opportunities. Benefits flowing from this engagement include strengthened learning outcomes, greater skills alignment and greater strategic linkages between industry and the sector.

The American Chamber believes that any meaningful discussion on the operation of the existing National Training Fund (NTF) and the National Training Levy (NTL) should be in-step with a strategic decision on one of the recommended funding options outlined in the report of Expert Group on Future Funding for Higher Education (July 2016).

Revenue buoyancy from the NTL from higher economic activity and resulting changes in the demand for programmes, coupled with a repurposing of the NTF and its governance is worthy of greater consideration in meeting the Expert Groups ambition for the contribution of the NTL to the higher education and training system.

The American Chamber believes that opportunities exist for further innovation and productivity to contribute to the sectors future resourcing, as well as a transparent and equitable financial participation of the student in their further education.

Roundtable dialogue with stakeholders by the Departments of Education & Skills and the Department of Public Expenditure and Reform is welcome as part of the wider process seeking to appropriately resource the higher education system in a sustainable manner.

Submission

The American Chamber's priority is that Ireland remains a unique transatlantic trade and investment gateway and a location of choice for US inward investment to Europe. Inward investment to Ireland continues to make a positive contribution to Ireland's economic and social progress. It provides not only rewarding career opportunities – but also acts as a channel for knowledge transfer and the ongoing transformation of the Irish-based enterprise and their respective industrial clusters¹. Today, 150,000 people are directly employed in over 700 US firms located in Ireland, accounting for over 74% of all employment supported by the Industrial Development Authority of Ireland (IDA).

To maintain foreign direct investment (FDI) Ireland must compete based on its available talent pool, innovation and operational track record and the capacity of its digital and physical infrastructure to support growth. The American Chamber supports the ambition to make the Irish education and training system the best in Europe by 2026. The American Chamber believes that Ireland must improve its performance in the areas of science, technology, engineering and mathematics (STEM) and life-long learning (LLL) to adequately resource the knowledge intensity of economic activity. The country's talent strategy will be an important pillar to future-proof Ireland and sustain the economy through these changing environments.

This consultation on future funding mechanisms for higher education, further education and training is taking place during a period of growth, but not one without significant uncertainty. As a small open economy, Ireland's prospects are dependent on international trade and influenced by global investment flows. The current era of globalisation cannot be taken for granted— with greater protectionism sentiment on the rise as reflected in political changes in the USA and the UK (Brexit vote) in 2016, thus trade and investment policies around the world may inhibit further moves towards global interdependence.

The American Chamber recognises the output from the Expert Group, Chaired by Peter Cassells with its central conclusion that Ireland needs to substantially increase the level of investment in higher education and training if the sector is to fulfil its mandate in supporting Ireland's national economic and social development. The report argues that this proposed investment would have to be linked to enhanced quality and verification of outcomes.

The American Chamber understands that the employer funding proposal outlined in the consultation paper issued by the Department of Education and Skills and the Department of Public Expenditure and Reform serves to stimulate a roundtable dialogue with stakeholders which in turn forms part of the wider process seeking to appropriately resource the higher education system in a sustainable manner.

In that context, the American Chamber makes the following observations:

Strategic Decision Required: The American Chamber believes that any meaningful discussion on the operation of the National Training Fund and the National Training Levy should be in-step with a strategic decision on one of the recommended funding options outlined in the report of Expert Group on Future

¹ 'US-Ireland Business 2017' , American Chamber of Commerce Ireland, 2017.

Funding for Higher Education (July 2016). Government should act on the report's recommendations. Whichever funding regime is adopted it should;

- provide a sustainable mechanism for funding 3rd level,
- promote inclusiveness between social backgrounds,
- not express preference for full-time, part-time and postgraduate pathways to attainment.

Existing Funding Potential: The analysis of the Expert Group suggests that in addition to existing employer contributions via the NTL, an extra €150m per annum could be raised for the higher education and training system by progressively raising the levy from the current rate of 0.7% of reckonable earnings (part of employers PRSI, levied on 75% of those at work) to 1% over a three-year period between 2018-2020. However, changes may deliver elevated levels of funding without any change if the following is considered:

- *Higher Revenue:* The existing NTL at a rate of 0.7% of reckonable earnings is raising additional funds without any changes due to higher levels of employment and earnings growth. This is set to continue as the economy reaches capacity and draws in labour from overseas (net positive migration).
- *Changes in Demand:* The NTF will be able to alter its investment strategy as the demand for market activation programmes fall in response to dropping unemployment within the economy. This would allow for higher contributions to flow to higher education and training.
- *Repurpose of the Fund:* The remit of the NTF could be reviewed to focus on education and in/for work training and consider how community and social priority spending might be more appropriately funded within the Social Protection remit.
- *Review Fund Governance:* The fiscal restraint on the use of NTF in running a surplus is of concern to employers. It implies that the funds raised by the levy are not being deployed for the purposes they were envisaged. Targeting a large and growing surplus of +€200m could be reconsidered.

Revenue buoyancy from higher economic activity and resulting changes in the demand for programmes, coupled with a repurposing of the fund and its governance is worthy of greater consideration in meeting the Expert Groups ambition for the contribution of the NTF to the higher education and training system.

Recognition for Existing Employer Contributions: Besides the contribution of the FDI sector to corporate tax receipts² together with the income and PRSI receipts flowing from the employment of 150,000 direct and over 100,000 indirect staff³, there is a lack of recognition and analysis around the contribution of employers (and FDI specifically) to sector. These include the provision of undergraduate internships, post graduate/trainee work experience, research investment and programme review, participation on government authorities and skills for a, consultancy investment as well as direct support (in cash and/or kind) for courses and curriculum development.

A 2016 report commissioned by the Chamber with the University of Notre Dame⁴ found that US firms and 50,000 of their employees were engaged in over 7000 community projects countrywide with 89% of in-kind donations, 32% of cash donations, 43% of volunteer hours was focused on supporting education.

² An Analysis of Corporation Tax Receipts in 2014-2015, Revenue Commissioners 2016.

³ IDA estimates that for every 10 jobs generated by FDI, another 7 are generated in the economy. IDA Ireland.

⁴ 'Beyond Business', The Social Impact of US Investment in Ireland, 2016

Benefits flowing from this engagement include strengthened learning outcomes, greater skills alignment and greater strategic linkages between industry and the sector. The American Chamber believes that there needs to be more explicit recognition and quantification for the direct and non-financial contribution of industry within the analysis. Importantly, an impact assessment on these contributions and programmes resulting from elevated levels of employee related taxation being proposed would be prudent.

Transparency: Awareness of the National Training Levy (NTL), the National Training Fund (NTF) and its programmes remains low among employers. The fact that the levy is an integral and indistinguishable part of employers PRSI contributions means there is a lack of transparency on the existence of the levy and the role of the NTF. More clarity on NTL benefits in some way commensurate with organisations contributions would build greater confidence in the existing funding mechanism's ability to deliver impact and value to Chamber members.

Role of Further Innovation: The American Chamber believes that opportunities exist for further innovation and productivity to contribute to the sectors future resourcing. Ireland's knowledge economy and its sizable training requirements demand that the education system is to the forefront of this development if it is to support the 'smarter' economy ambitions. The impact of new models of education and training delivery will expand the menu of education options for students/workers outside the limits of the traditional campus setting. Education is becoming 'open-sourced', allowing larger numbers of students to access excellent teachers, education resources and curricula via information and communications technology. This potentially creates new enterprise opportunities for HEI's and, more importantly, by blending their existing programs could significantly increase teaching capacity and resources. Equally this is a significant threat to the existing sector unless it embraces these new opportunities and begins to project its own excellence onto a global stage.

Funding Model: The American Chamber agrees with the Expert Group that education and training sector reform should continue and accelerate if the system is to fund and fulfil its mandate. As higher attainment levels feed into higher lifetime earnings⁵ with less likelihood to encounter long term unemployment, there is a measurable return on personal investment in education. Hence, while greater productivity of third level institutions should contribute to the sectors future resourcing, the American Chamber supports a transparent and equitable financial participation of the student in their further education. This should be modest - and balance the recognition of the returns to students from learning⁶ without negatively impacting on desired participation rates. Considering a model that recognises differences in levels of investment required for attainment by various disciplines, the returns to the individual in terms of employability/earnings potential and the required incentives required to attract talent to critical disciplines has merit.

Roundtable dialogue with stakeholders by the Departments of Education & Skills and the Department of Public Expenditure and Reform is welcome as part of the wider process seeking to appropriately resource the higher education system in a sustainable manner.

⁵ 'The College Pays Off', Georgetown University Center on Education and the Workforce

⁶ 'Taxation and Skills', OECD, April 2017