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# Contemporary Apprenticeship Reforms and Reconfigurations

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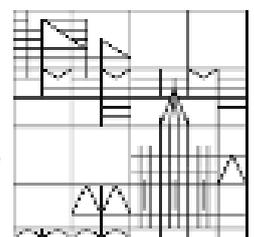
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# Mechanisms to improve employer engagement in apprenticeship in the Irish construction industry: a meso-level analysis

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**Summary:** Apprentice training in Ireland remains within a state of flux. Although construction output is steady at present with the sector recording growth in excess of 60 percent over the last three years, there remains an alarming discordant issue of a lack of construction skills. In 2017, the largest representative body of construction related firms in Ireland, the Construction Industry Federation (CIF) endorsed a research study of their membership of more than 1,000 firms in an attempt to quantify the level of engagement in training. This study sought to identify the determinants of engagement and the constraints thereof. Findings from the research confirmed employers are predominantly small to medium sized enterprises. Consequently, the key factor determining engagement in training is found to be related to costs. Mechanisms to address this issue are identified herein.

**Keywords:** apprentice, construction, engagement, skills

## Introduction

A decade on from the economic recession which devastated the Irish economy and consequently the construction industry, employer engagement in apprenticeship has still not recovered to sustainable levels. This is despite the fact that the national economy is thriving, and the construction industry is in a strong recovery phase (McQuinn et al. 2018).

As of year-end 2017, the total number of craft apprentices in Ireland stood at just 39% of its pre-recession peak (SOLAS 2018). When observing construction apprentices only, for the same period, those in employment represented just 2% of direct construction employment. This is well below the typical 8-10% of direct employment for which construction apprentices have traditionally accounted. This is even though a resurgent construction sector saw direct construction employment recover to a level equivalent to approximately 56% of its pre-recession peak (Central Statistics Office 2018).

Consequently, the skills cycle in Ireland has been negatively affected by a shortage in the training of new apprentices, as reports of skills gaps have already begun to emerge in key trades within the sector (Society of Chartered Surveyors Ireland & PwC 2017). Given the nature of apprenticeship in Ireland as a demand-led model, identification of the determinants of employer engagement is a critical factor in shaping any future policy to mitigate cyclical imbalances in the construction labour market.

Prior to this research, only anecdotal evidence existed as to the determinants of employer engagement in training. Bellmann et al. (2014) have indicated that there is a distinct scarcity of evidence in this regard, thus the research at hand addresses a considerable knowledge gap. As the construction industry represents the most significant apprentice employing sector of the economy, empirically established evidence is vital in order to fully understand the scope of the impending skills gap.

The aim of this study was to establish the level of engagement of employers in trades and apprenticeship training, to identify the drivers and enablers of engagement, the barriers to participation, and mechanisms by which engagement may be improved.

The investigation undertaken forms part of ongoing PhD research, which includes a socio-ecological examination of apprenticeship in Ireland. The study conducted for the CIF represents a meso-level analysis of the above-mentioned PhD research.

## **Methods and research design**

A structured questionnaire was developed which sought to identify several key characteristics and determinants of employer engagement in apprentice training.

The CIF supplied a database of their member firms (n=1,255). This included a number of entities who were corporate members and not representative of trade employers. Accordingly, initial preparation for the survey included the rationalisation of this database into an appropriate target population of employers. Upon completion of this exercise, a significant useable population of firms was identified (n=1,073).

Prior to issue of the survey, the identification of a single key individual with responsibility for training and employment within each CIF member firm was required. This ensured that participants to the study were senior enough to speak with authority regarding their firm's engagement with training and employment.

Upon completion of the survey, a useable participation rate of 22 percent of the target population had engaged the study.

## **Results**

The majority of respondents to the research were small to medium sized enterprises (SME's) with fewer than 10 employees. This serves as a distinct determinant of engagement in training since smaller firms can take less risk in terms of investment and expansion, including the size of their labour force.

Prior to the determination of the extent of future engagement of apprenticeship it is critical to note the following: (1) 81 percent of respondents employ trades skills, (2) 71 percent of respondents do not train apprentices, and (3) 86 percent of respondents report insufficient skills levels.

The statistics above, that the overwhelming majority of firms are trade employers reinforces the importance of trades as a key cohort within the construction labour market. However, the fact that most employers are not training apprentices is alarming as the knowledge cycle can only be maintained by an appropriate supply of new entrants joining the workforce each year. This potentially points to a lack of confidence within the industry, since, if employers were confident of the availability of enough work, it is reasonable to expect an associated investment in training. Consequently, the finding that most employers report insufficient skills availability is unsurprising. This situation has been well documented in the past, notably by Toner (2003).

## Recommendations

Respondents were prompted to provide mechanisms by which they believe engagement in training may be improved within the Irish construction industry. Most responses were financially related. In terms of 'good practice' internationally, this fiscal related issue has been well documented by Smith & Brennan Kemmis (2013). Based solely on the findings of this research study, the following is a summary of cost related mechanisms available to macro-level stakeholders to stimulate employer engagement in training.

### *Incentivisation*

The predominant barrier to engagement identified, was a lack of financial incentives provided at a macro-level. An important concept for legislators to understand is that a lack of incentives equates to dis-incentivisation. There are several areas where legislators can address this issue of financial motivation.

Firstly, all Irish employers pay a levy on reckonable earnings to the government to resource the National Training Fund (NTF). The government has announced that the levy on employers to fund the NTF would be increased to 1 percent of reckonable earnings, by 2020 (Department of Education and Skills 2018). Part of the purpose of the NTF is to support investment in apprenticeship. Therefore, offering a waiver to employers who engage in apprenticeship may act as a stimulus. The lack of contributions to the NTF via such a waiver would be exceeded by the commensurate increase in employment and turnover by firms.

A further area of concern for small firms emerged in the form of their legislative obligations as employers. All employers are required to calculate and deduct 'pay related social insurance' (PRSI) contributions. To a small employer, particularly self-employed contractors, this is an onerous obligation. A method to overcome this barrier could be for the government to initiate a 'zero-rate' PRSI obligation for employers for the first year of training. The lack of revenue from PRSI via this initiative would be exceeded by the savings made from non-payment of unemployment benefit, as many potential apprentices may otherwise potentially become NEETs and thereby entitled to social assistance from government.

### *Training duration*

The Irish Standards Based Apprenticeship (SBA) system is a dual apprenticeship model, divided into phases of on-the-job and off-the-job training periods. An explicit issue for many employers is the length of some of the off-the-job training where an employer is without their apprentice for extended periods, thereby potentially suffering in terms of productivity.

Employers are specifically concerned with the 20-week duration of the apprentices first phase off-the-job. This 5-month period away from the employer is a distinct barrier to training as small employers cannot suffer the lack of productivity which this absence causes.

It is therefore prudential for macro level stakeholders to consider an alternative structure which would reduce the duration an apprentice spends away from the employer. By ameliorating this issue, training may become more viable to employers.

### *Shared training*

In many instances, firms have reported a discontinuous demand for work. A lack of confidence of adequate work to support an investment in expanding their labour force is a direct deterrent to engaging in training, particularly where employers are SME's.

Consequently, smaller firms report that they would be more willing to engage if the delivery of training was shared amongst a co-operative of employers. This arrangement would mitigate the risk of discontinuous workloads as the apprentice could be scheduled to work with an employer with sufficient work at each phase. Moreover, the potential variation in work type by varying employers could provide a greater range of skills and experiences, thereby engendering a higher calibre of employee.

Therefore, this could be an apposite recruitment model for promotion by the state training authority. SME's could feel secure, confident in the strength of a shared initiative, supported and facilitated by the state.

## Conclusion

Full employment is a macro economic objective of any economy. The Irish government has made it clear that identifying and meeting skills demands is a priority (Department of Education and Skills 2018b). An augmented apprenticeship system could be an auspicious method for government to meet this objective.

Furthermore, the government recently announced its intention to invest €116 billion by 2027 in an attempt to meet Ireland's infrastructural requirements and bring stability to the construction sector (Government of Ireland 2018). Though meritorious, this aim will undoubtedly be hampered by an ineffective construction sector due to an under-supported apprenticeship system and consequential skills crisis.

To that end, consideration of the mechanisms suggested in this paper is not simply recommended but potentially macroprudential.

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