

A Low Skills Equilibrium for Northern Ireland?

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Research for new economic policies

Northern Ireland

- Persistently low skills - 16% of 16 to 64 year olds did not have a level 1 National Vocational Qualification
- Persistently low productivity - 2006 GVA per head was 81.5% of the UK average, 2016 77.3%
- Persistently low wages - The median weekly wage in NI was 92% of the UK average in 2017 up from 88% in 2007
- A link between all 3 – a Low Skills Equilibrium.

A Low Skills Equilibrium

- Finegold and Soskice (1988)
 - “the majority of enterprises are staffed by poorly trained managers and workers produce low quality goods and services”
 - “concentration of the country's firms in those product markets which have the lowest skill requirements”
- Wilson et al (2003)
 - *low quality goods* → *low specification goods*
- Toynbee (2003)
 - Qualifications are worth little to employees unless employers are willing to utilise them
- Green et al (2003)
 - Supply and demand for Skills

A Low Skills Equilibrium

Skills Surplus

- High Skills Supply from Workers
- Low Skills Demand from Firms

HSE

- High Skills Supply from Workers
- High Skills Demand from Firms

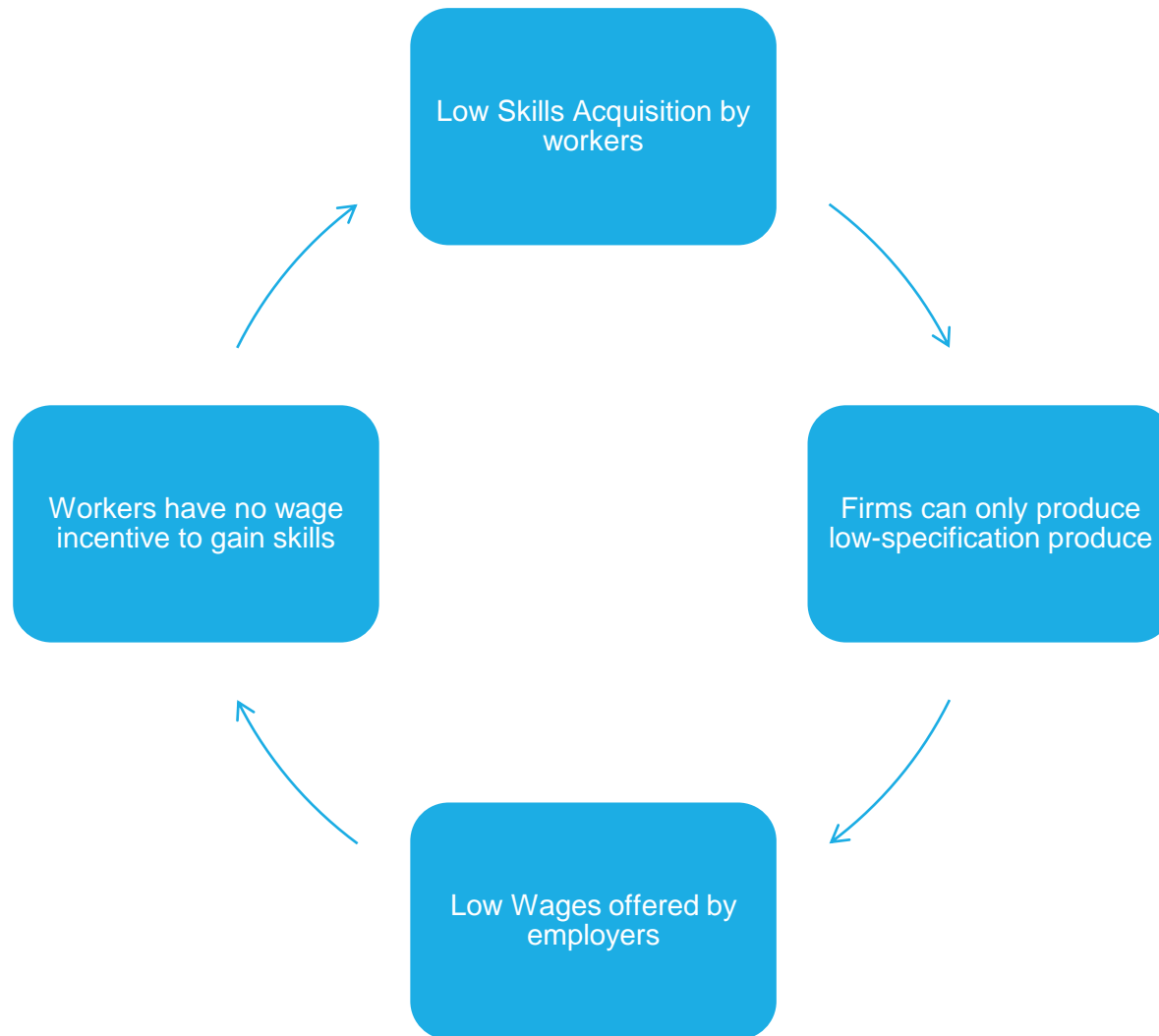
LSE

- Low Skills Supply from Workers
- Low Skills Demand from Firms

Skills Deficit

- Low Skills Supply from Workers
- High Skills Demand from Firms

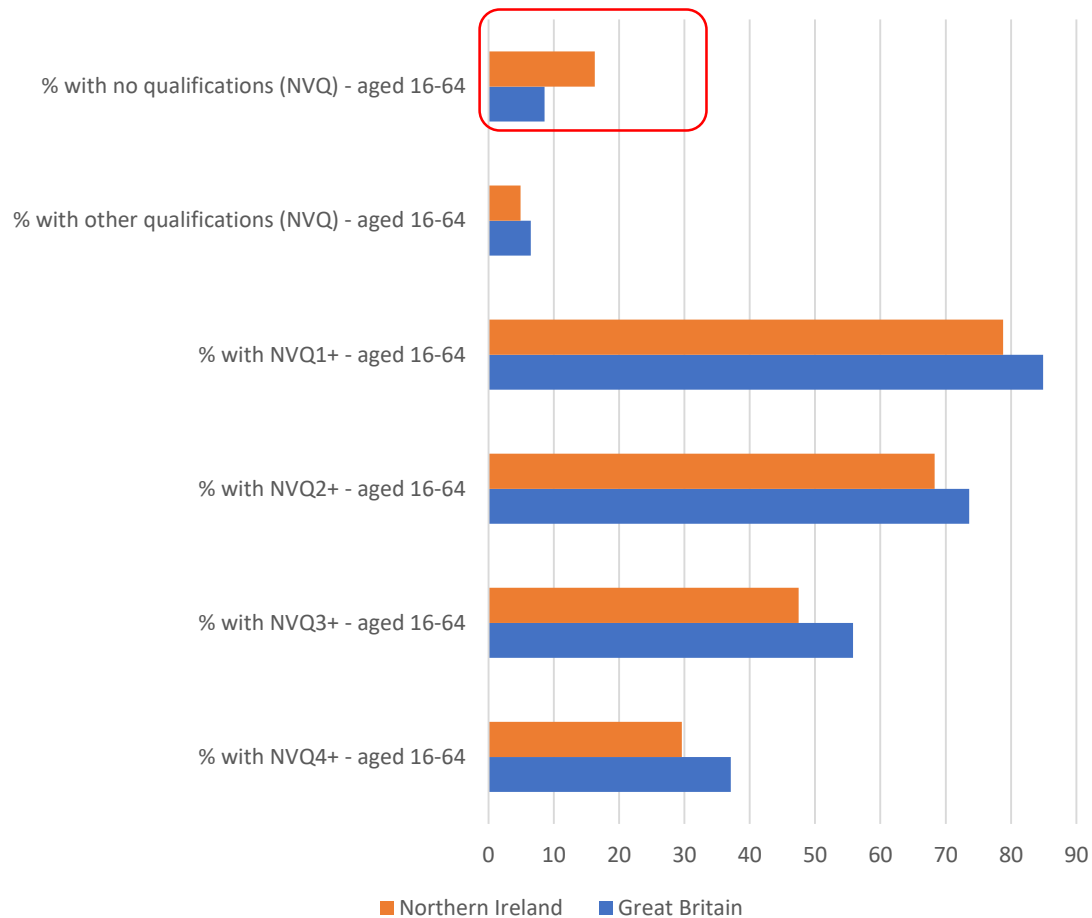
An Equilibrium?



An Equilibrium?

- Finegold and Soskice (1988)
 - “a self-reinforcing network of societal and state institutions which interact to stifle the demand for improvements in skill levels”
- Wilson and Hogarth (2003)
 - In a LSE all economic actors are behaving rationally.
 - Low unemployment
 - Profitable firms

Low Skills



Low Skills - Qualifications

Country	% ISCED (0-2)	Country	%ISCED (0-2)
Lithuania	3.6	Switzerland	15.1
Czech Republic	4.2	Norway	16.5
Slovakia	4.7	France	16.6
Poland	4.9	United Kingdom	16.8
Latvia	7.6	Belgium	17.1
Croatia	8.2	European Union	17.2
Slovenia	8.6	Greece	18.2
Romania	9.6	Northern Ireland	19.5
Bulgaria	10	Denmark	20.2
Finland	10.1	Netherlands	21.7
Estonia	10.3	Luxembourg	23
Ireland	12.3	Iceland	30
Hungary	12.4	Italy	30.7
Sweden	12.8	Spain	31.7
Germany	12.9	Malta	40.3
Macedonia	12.9	Portugal	45.5
Austria	13.2	Turkey	48.9
Cyprus	15		

Sources: Eurostat (2017a) and NISRA (2017)

Note: International Standard Classification of Education (ISCED) is the reference international classification for organising education programmes and related qualifications by levels and fields. ISCED 2011 is implemented in all EU data collections from 2014.

Low Skills

Country	PIAAC Score	Country	PIAAC Score
Chile	440.8	Slovak Rep.	575.2
Turkey	453.7	Canada	575.6
Greece	519.8	Estonia	576.6
Israel	532.8	Austria	577.0
Slovenia	539.4	Germany	577.5
Poland	545.9	Czech Rep.	582.8
Rep. of Ireland	547.4	Australia	586.0
Lithuania	551.6	Denmark	587.8
Singapore	552.0	Flanders	590.4
United States	553.7	New Zealand	596.0
Northern Ireland	556.6	Norway	597.7
OECD	561.8	Sweden	602.3
Korea	566.4	Netherlands	605.8
England	569.4	Finland	611.3
Russia	571.0	Japan	619.0

Sources: OECD (2017)

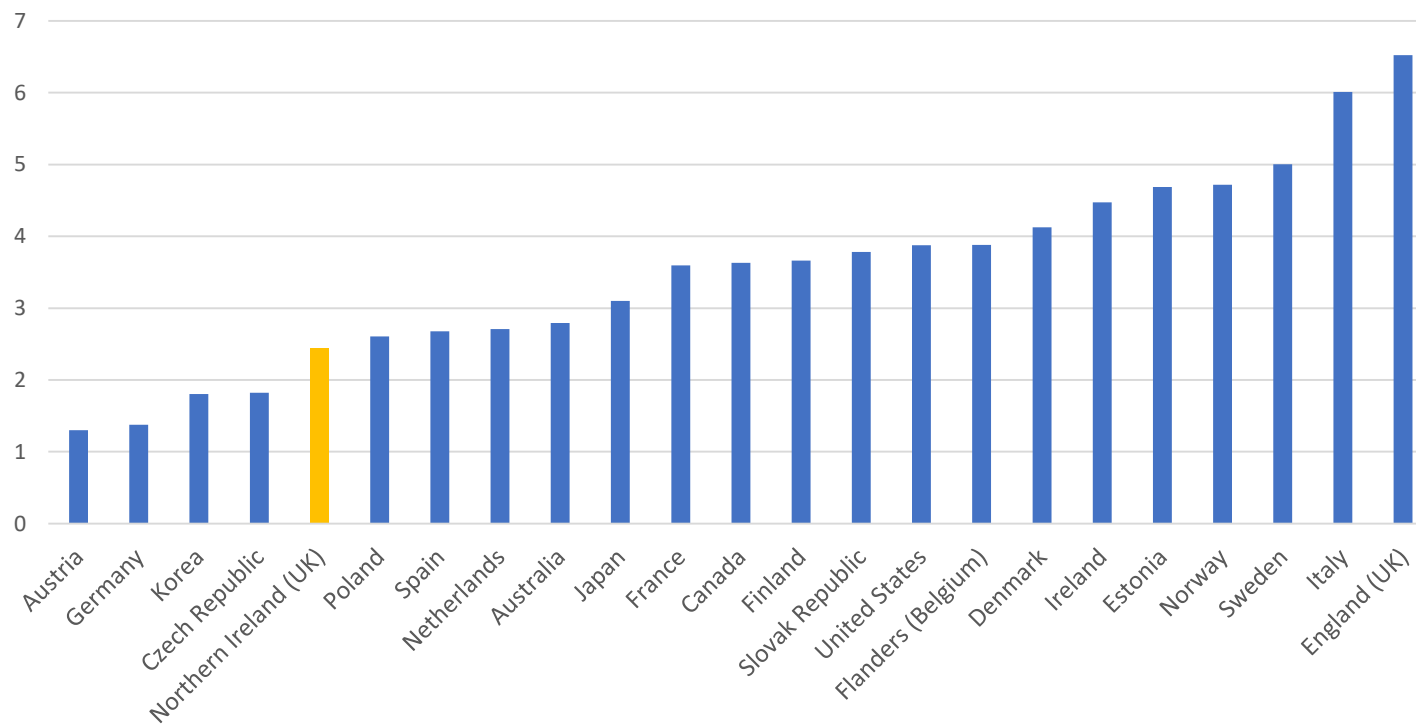
An Equilibrium? Skills

Country	Mismatched Skills	Country	Mismatched Skills
Northern Ireland	9.34	Norway	13.49
Netherlands	9.59	New Zealand	13.92
Poland	9.83	OECD	14.58
Finland	10.08	Turkey	15.27
Canada	10.17	Slovak Rep.	15.89
France	10.25	Germany	15.89
Sweden	10.79	Cyprus	17.03
Flanders	11.74	Italy	17.70
Estonia	11.77	Russia	17.87
Denmark	11.95	Czech Rep.	18.02
Australia	11.98	Jakarta	19.18
Slovenia	12.27	Austria	19.50
Israel	12.32	Spain	19.53
Korea	12.52	Rep. of Ireland	19.58
Singapore	12.78	Lithuania	22.74
United States	12.84	Chile	25.78
Japan	12.85	Greece	34.37
England	13.42		

Sources: OECD (2017)

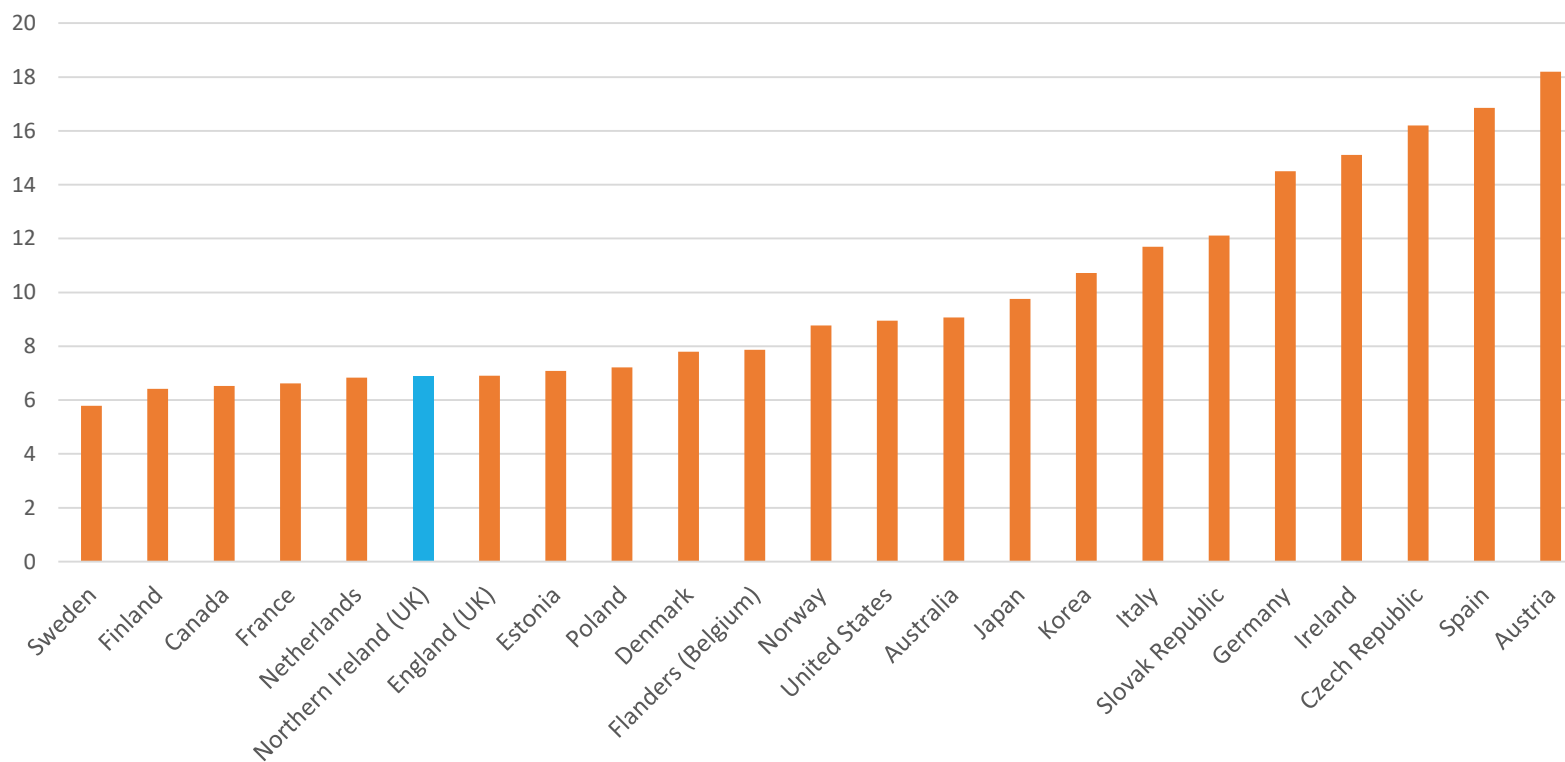
An Equilibrium? Skills

% of Workers Underskilled



An Equilibrium? Skills

% of Workers Underskilled



An Equilibrium? Qualifications

Country	% Mismatch Qual.	Country	% Mismatch Qual.
Slovak Rep.	22.1	OECD	34.5
Slovenia	22.4	Norway	35.0
Jakarta	23.1	Austria	35.1
Turkey	24.5	Italy	35.6
Poland	25.6	Lithuania	35.9
Denmark	28.4	Northern Ireland	36.2
Czech Rep.	28.5	Russia	36.4
Flanders	29.4	Estonia	38.7
Singapore	30.1	Japan	39.0
Finland	31.0	Sweden	39.9
Spain	31.3	Canada	41.5
Cyprus	31.7	Israel	41.6
Korea	31.9	Australia	41.6
United States	32.5	England	42.6
Netherlands	32.5	Rep. of Ireland	42.9
Chile	33.0	France	44.3
Greece	33.4	New Zealand	44.4
Germany	34.2		

Sources: OECD (2017)

Field of Study Mismatch

Country	FOS Mismatch	Country	FOS Mismatch
Finland	22.8	Greece	41.4
Germany	26.4	Australia	41.6
Austria	28.0	Russia	42.0
Slovenia	28.9	England	42.6
Norway	33.5	Ireland	42.9
Sweden	33.7	Turkey	43.8
Netherlands	33.9	Spain	44.1
Denmark	35.2	France	44.3
Estonia	35.3	New Zealand	44.4
Israel	36.5	Singapore	44.7
Canada	37.5	United States	45.0
Cyprus	38.1	Japan	45.3
Slovak Rep.	38.2	Northern Ireland	47.0
Czech Rep.	38.3	Italy	49.4
Flanders	38.7	Chile	49.9
OECD	39.6	Korea	50.1
Lithuania	40.8	Jakarta	54.6
Poland	22.8		

Sources: OECD (2017)

Discouraged workforce

	NI	England	Denmark	Netherlands	ROI
The main reasons for this Qualification was job related	70.6	84.2	89.5	63.2	81.0
The main reasons for this Other training was job related	66.7	72.7	76.5	82.1	70.0
There were learning activities you wanted to take part in but did not?	18.3	24.5	33.3	23.2	30.5

Sources: OECD (2017)

Discouraged workforce

Country	%	Country	%
Turkey	9.1	Israel	24.3
Russia	9.5	England	24.5
Slovakia	10.0	Norway	25.0
Poland	12.2	Germany	28.4
Lithuania	15.6	Germany	28.4
Italy	16.4	France	29.7
Czech Rep.	16.6	Rep of Ireland	30.5
Flanders	17.1	Canada	31.0
Northern Ireland	18.3	Estonia	31.5
Greece	18.7	Sweden	32.0
Japan	19.0	Finland	32.4
Slovenia	19.0	Korea	32.7
Austria	20.4	Denmark	33.3
Cyprus	21.4	Chile	33.6
Netherlands	23.2	Singapore	34.9

Sources: OECD (2017)

Discouraged firms

	UK	England	NI	Scotland	Wales
All Employed					
Skills Shortage Vacancies only	4	4	2	4	4
Skills gaps only	12	12	8	12	12
SSVs OR Skills gaps	18	18	12	17	17
All establishments with difficulties retaining staff					
Too much competition from other employers	38	39	30	39	35
Lack of career progression	30	29	36	29	34
Not enough people interested in doing this type of work	56	55	61	53	65
Establishments with under-utilised staff					
They are not interested in taking on a higher-level role with more responsibility	26	26	24	28	22
Lack of jobs in the desired higher-level role	11	10	21	13	14
We actively seek staff with qualifications and/or skills beyond those needed	4	4	2	4	5

Sources: UKCES (2017)

Breaking out?

- Boost supply?
 - Skills Surplus
- Boost demand?
 - Skills Deficit
- What about incentives? Greater demand – increased wages – increased skills acquisition – increased supply
- Snower (1994) - lack of opportunity, limits responsiveness of workers to earnings differential
- Boost Supply and Demand – how to coordinate?

Policy Implications

- A Prisoner's Dilemma. Workers and firms have a better option, but it requires coordination. UK economy including NI lacks that institutional capacity.
- A New Skills framework. Supply and Demand measures do not work in isolation. Apprenticeship levy. Standardisation also key.
- NI is an SME economy, that is a challenge to coordinated skills policy, but not an insurmountable one.
- Focus on the micro. Examples where skills coordination happens. Collective agreements between staff and workforce about investment for both.