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Summary Report

Towards a Skills Assessment Framework for Northern Ireland: A Sectoral Performance Approach

A report prepared by the Priority Skills Unit,
Economic Research Institute of Northern Ireland

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BACKGROUND

This short report summarises the key findings from research carried out by the Priority Skills Unit, ERINI for the Department for Employment and Learning (DEL). The aim of this research was to further develop an objective framework for identifying priority skill areas of the Northern Ireland economy. The approach is based on the recommendations contained in the ERINI report “An Assessment of International Trends in Occupational Forecasting and Skills Research: How does Northern Ireland Compare?”

INTRODUCTION

The research profiles 38 sectors of the NI economy using a number of key performance indicators related to both economic significance and skills. It consists of two stages: in stage one, the sectors of the NI economy are assessed in terms of their economic significance; while in stage two, the extent of skill shortages and gaps within each industry is identified. Given that we are working with historical data, it is impossible to say how each of these sectors will perform in the long term, however, we are able to assess, at least to some extent, the short to medium term outlooks by examining the trend in the data and, disregarding any unforeseen circumstances, we can only assume that this trend is likely to continue, at least in the short term.

Each sector is ranked on a total score based on a weighted average of each indicator. To examine the sensitivity of the results to changes in weights, three alternative ranking methods are examined: a ‘neutral’ approach whereby all indicators are attributed an equal weight; a ‘subjective’ approach where the weights are based on individual value judgments on the relative importance of each indicator; and an ‘objective’ approach where the weights are based on Principal Components Analysis (PCA).

KEY FINDINGS

TOP PERFORMING SECTORS IN TERMS OF ECONOMIC SIGNIFICANCE

With regards to the top performing sectors of economic significance, there is a good deal of consistency across the three weighting strategies, with five sectors present amongst the

top ten under each weighting method and a further four sectors in common to at least two of the weighting strategies.

The top nine sectors of economic significance averaging across all three weighing scenarios are shown in **Table 1**.

Table 1: Top Nine Sectors of Economic Significance Averaging across all Weighting Scenarios

Rank	SIC	Sector Description
1	32	Manufacture of Radio, Television and Communication Equip. & Apparatus
2	30	Manufacture of Office Machinery & Computers*
3	73	Research & Development*
4	24	Manufacture of Chemicals & Chemical Products
5	21	Manufacture of Pulp, Paper & Paper Products
6	74	Other Business Activities
7	72	Computer & Related Activities
8	25	Manufacture of Rubber & Plastic Products
9	29	Manufacture of Machinery & Equipment N.E.C**

* Major component of the Electronic Engineering sector.

**Covers an element of the Mechanical Engineering sector.

SECTORS EXPERIENCING MOST SIGNIFICANT SKILL SHORTAGES AND SKILL GAPS

A similar approach was used in attempting to identify those sectors within the economy experiencing the highest level of skill shortages and skill gaps. The data on skill shortages, as proxied by hard-to-fill vacancies, reflects the extent to which firms are experiencing difficulty in recruiting new labour, while the data on skill gaps gives an indication of the extent to which the competencies of existing staff are not sufficient to meet the needs of employers.

As before we have three possible weighting scenarios: however given that in this instance we have just four indicators encompassing what is essentially just two measures of skill shortage, it was not feasible to apply any subjective weights on the grounds that there is nothing to suggest, *a priori*, that firms are more adversely affected by either hard-to-fill vacancies or skill gaps. Consequently, only the neutral and objective weighting scenarios are considered in this instance.

Once again, the results of both the neutral and objective scenarios generate very similar results with seven sectors identified as suffering from skill related problems under both weighting methods (as shown in **Table 2**).

Table 2: Top Seven Sectors with greatest Skill Needs Averaging across all Weighting Scenarios

Rank	SIC	Sector Description
1	34/35	Manufacture of Transport Equipment
2	24	Manufacture of Chemicals & Chemical Products
3	32	Manufacture of Radio, Television and Communication Equip. & Apparatus
4	25	Manufacture of Rubber & Plastic Products
5	75	Public Administration & Defence; Compulsory Social Security.
6	45	Construction
7	70	Real Estate Activities

It is interesting that three of the most economically significant sectors are amongst the top seven sectors suffering from the most significant skills shortages and gaps. These are

- Manufacture of Chemicals and Chemical Products
- Manufacture of Rubber and Plastic Products
- Manufacture of Radio, Television and Communication Equipment & Apparatus.

The figure rises to four when we include Manufacture of Transport Equipment which ranked highly in terms of economic significance, under the objective assessment.

SUMMARY

This report outlines the principal findings of the analysis in terms of the extent to which the sectors making the most substantial contribution to the NI economy are likely to be constrained by skills shortages and gaps. The results suggest that the sectors related to Other Business Activities, Research & Development, IT, Wholesale and Commission Trade, and Retail Trade, and those related to the Electronic, Mechanical and Chemical Engineering sectors are amongst the top performers on the indicators available. Moreover, the analysis produces results consistent with a number of those found in a RoI study which identifies a number of areas with specific growth opportunities in Ireland up until 2015, including ICT, Engineering, Consumer goods, Food, Education, Financial

Services, Construction, and Professional and Consultancy Services (Enterprise Strategy Group, 2006).

Given that the principal aim is to identify those areas of the economy that may be experiencing skills related constraints, it is quite worrying to find that three of the most economically significant sectors are amongst the top seven sectors suffering from the most significant skills shortages and gaps. Whilst, a number of those sectors with the greatest skill needs have already been identified and examined in previous PSU reports, there are some others which remain to be investigated, the Manufacture of Chemicals and Chemical Products and the Manufacture of Rubber and Plastic Products. However, it might be beneficial to assess the adequacy of the policy response in tackling the skill related problems identified under previous sectoral studies. The work currently being undertaken by the Sector Skills Councils should help in this respect.

Full copies of the research report “Towards a Skills Assessment Framework for Northern Ireland: A Sectoral Performance Approach” can be downloaded from www.delni.gov.uk/sectoralperformanceapproachphase2

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