



Northern Ireland
Assembly

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

**Overview of the Work of the
Department for Employment and
Learning**

8 June 2011

NORTHERN IRELAND ASSEMBLY

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FOR EMPLOYMENT
AND LEARNING**

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Department for Employment and Learning

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Members present for all or part of the proceedings:

Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Ms Michelle Gildernew
Mr Chris Lyttle
Mr Barry McElduff
Mr David McIlveen
Mrs Sandra Overend
Mr Pat Ramsey

Witnesses:

Dr Stephen Farry) Minister for Employment and Learning

Ms Catherine Bell) Department for Employment and Learning
Mr Andrew Hamilton)

The Chairperson:

Minister, you are very welcome. I have the Committee nicely warmed up for you and have given them lots of information. It is a pleasure to have you here, with Catherine and Andrew. The big question that we will want to discuss is tuition fees; we want to know where you are in

discussions with your Executive colleagues and when we may find out a little bit more.

The Minister for Employment and Learning (Dr Farry):

I welcome the opportunity to address the Committee at this early stage. My officials and I look forward to developing a strong working relationship with the Committee over the coming weeks and months, and perhaps years — we will see how it goes. We recognise that the Committee has an important role to play not just in scrutinising what the Department is doing but also as a partner in the development of policy. We see a broad role for the Committee. Do not feel that today is a one-off opportunity to grill me: I am happy to come regularly to the Committee to talk, particularly about some of the more detailed issues as our discussions proceed.

With regard to a general overview, I want to highlight the key strategic issues as I see them in the Department so far. No doubt, you can tease those out in due course and raise others. I regard the Department for Employment and Learning as a major economic Department. What happens in this Department can have a major effect on what happens in the transformation of the Northern Ireland economy over the coming decade.

I highlight the importance of investing in skills as a key economic driver of our economy. You, Chairman, and many of the members were at the launch of the skills strategy in W5 two weeks ago. We are also working to make the skills implementation plan a reality. Skills are central to the economy and to our Department. Skills stretch from what happens with the universities through to basic investment in literacy and numeracy.

It is important that we invest in every citizen in Northern Ireland to allow them to develop their full talents and potential in order to benefit our economy and to improve cohesion in our society. This is not just an economic issue; it is also a social and human one.

On the challenges that face the Department, I will not start with tuition fees and universities, although I suspect that that is an area in which there is a great deal of interest from Committee members, the public and the media. Instead, I think that it is important to focus first on the employment service, because it is in that area that the Department faces its biggest challenge. The staff headcount in the employment service is based on a configuration of the number of staff that are needed to deal with approximately 35,000 people on jobseeker's allowance. However, about 60,000 people are on jobseeker's allowance, and that level has been fairly consistent for

some months. That puts a great deal of pressure on resources, and one of the key issues for the economic recovery is in helping people back into work and in encouraging those who have never been in work to get into work. That is a major crisis.

Moreover, the welfare reform measures will mean that at least 20,000 people will migrate from incapacity benefit to jobseeker's allowance from September, putting even more pressure on services. At present, the Department is not resourced, nor will it receive additional resources, to meet that demand. There is parity across the UK in provision for benefits. However, a major challenge is looming in our ability to maintain parity in the level of service that we can provide, and there may be consequences for Northern Ireland if we cannot meet that.

In the area of higher education, there are several important consultations, including the recent one on the higher education strategy. That has now closed, and I am aware that the Committee will be discussing it later today. Consultations on widening participation, the proposed merger of Stranmillis College with Queen's University and tuition fees are all coming to a close this Friday, and although I want to respect those processes and consider what comes back from them, I am happy to talk through some of the issues this morning.

I wish to highlight the financial challenges that the Department faces. There is a requirement to find savings of £150 million over the next four years, which will be difficult. There are also pressures across the board in what Members want the Department to do. For example, the first motion that was tabled in the new term of the Assembly dealt with employability issues in working-class Protestant areas. We are also discussing tuition fees, and there are different priorities across the entire spectrum. There are pressures, and anything that we do to reprioritise something will have consequences in the Department's budget. Members must be mindful of that.

Hopefully, I have provided a very short tour of some of the key issues faced by the Department. Catherine, Andrew and I are happy to answer any questions that Committee members might have.

The Chairperson:

Thank you, Minister. It is useful for us to prepare the ground, and we can now get into a little more detail. I remind Committee members that they need not get all the issues off their chests in one go —

Dr Farry:

I will be back.

The Chairperson:

Yes. We have about an hour of the Minister's time and we will try to use it as best we can.

Mr D McIlveen:

Stephen, I accept that I may be overlapping a little with the responsibilities of the Department of Enterprise, Trade and Investment (DETI), but research and innovation are seen as major drivers in the economy. At the moment, I think that we are running at about 1.5% of our potential in that area at a time when Israel is at 80% of its potential and has 67% growth in its economy. Therefore, it is definitely a good way forward, and we know that we need to invest in our further and higher education colleges to assist in increasing innovation.

How do you feel about the fact that Queen's University is facing a freeze in its library budget, which, in real terms, is a cut when inflation is taken into account? How does the overall strategy of investing in innovation tie in with the fact that a central component of driving forward that innovation faces severe funding cuts?

Dr Farry:

Thank you for that question, David; it gives me the opportunity to highlight several issues. First, there is a challenge of increasing spending in Northern Ireland on innovation or research and development, depending on what you wish to call it. In some senses, that matches the need to invest in skills as an economic driver. I am conscious of the debate on lowering the level of corporation tax in Northern Ireland, which would be good for our economy; however, doing that in isolation will not be enough. There is no point in saying that we are open for business if we cannot match the needs of the people who want to invest in Northern Ireland with the needs of our companies that wish to grow. Therefore, if we are to take advantage of the profit that a lower rate of corporation tax would provide, we need to ensure that we have people who can innovate, engage in research and start new companies. If they can take advantage of that, they will, in turn, create new companies locally.

I will address the point on universities, and I might talk about it in more detail when I speak

about fees. Through my budget, both universities are asked to find savings of £28 million over the next two years. That is a very pressing target; they have to find savings of 6% each year over the next two years. In essence, it is a 12% efficiency saving or cut, depending on how you want to describe it.

The affordability of university education and making it accessible is an issue, but, equally, there is also the challenge of ensuring that we are investing sufficiently in our universities. Although all sections of the public sector are taking a cut, both universities are in danger of falling behind investment elsewhere in the UK. English universities have the advantage of fees. Our budget is not at a standstill, but it is slipping back while our nearest competitors are moving ahead. We have two world-class universities, and we want to ensure that we keep it that way.

Finally, there is a big overlap between our Department and DETI on innovation, as it bridges the two Departments. Our Department deals with the university aspect and DETI with the non-university aspect, and we will try to tie those together as best we can.

Mr D McIlveen:

Leaving aside the issue of increasing fees, are any plans in place for where increased funding might come from?

Dr Farry:

There are no immediate plans to reinvest money in the universities. To be frank, we are facing up to what will happen with the budget as it stands because the budget is premised on the introduction of fees. That has to be addressed in the first instance. I do not want us to plug a fees gap and allow things to roll forward as a short-term fix. Over the next number of years, we need to invest in universities' long-term sustainability. I am happy to go to my colleagues on the Executive —

The Chairperson:

Minister, when are you likely to do that?

Dr Farry:

I have asked my officials to prepare a draft paper for the Executive to raise some of those issues at the earliest appropriate moment. I like to think that a paper will be tabled to my Executive

colleagues this side of the recess.

Mr Allister:

Thank you, Minister. You started by saying that the top priority was investing in skills because you viewed yours as an economic Department. However, the picture is not very encouraging, is it? The statistics on the skills that we seek to induce through further education are very depressing: 40% of those who enrol leave with no qualification. Indeed, that might be supplemented by a drop-out figure. Can you clarify whether that is so? It raises the question not only of whether we are getting what we are looking for through our further education system but whether we are getting value for money. If 40% of the 163,000 enrolments leave with no qualifications, what gain is there for them or for wider society by seeking to equip them with skills that they are patently not attaining? Moreover, only 19% of those who enter the Steps to Work programme get into work that lasts longer than 13 weeks. That, too, is a very depressing statistic, and it raises the same question of value for money and whether the programme is working.

The Chairperson:

I think that we have the general gist of the question.

Dr Farry:

Talking about skills being the priority, we did not come here to give ourselves a pat on the back and to say that all is sweetness and light in the skills landscape: much needs to be done to improve the skills of the Northern Ireland workforce. We have a very good record at the higher levels of skills from 5 through to 8, but we are underskilled in some areas. Furthermore, in addition to our unemployment figure of 7.5%, we have a very long tail of economic inactivity: some 26% of the adult population of Northern Ireland is outside the labour market. That is extremely worrying. Moreover, there are regional variations across Northern Ireland: in some districts, the figure is more than 40%. That is extremely troubling. Some of that lies in the social problems that we will need to address.

No doubt, there are issues for the further education sector about how effective it is. I am not here to say that everything is wonderful because more can be done right across the board. With regard to the Steps to Work programme, you have to be conscious that although we can train people and give them skills, there is also the challenge in the economy of creating jobs. There is

a clear linkage between people's motivation to do a training course and the prospect of gaining meaningful employment at the end of it. Catherine will come in on some of the details.

Ms Catherine Bell (Department for Employment and Learning):

Some 60% of people who enrol will get the qualification.

Mr Allister:

What is the drop-out figure?

Ms C Bell:

The drop-out rate in further education is very low. I do not have the specific figures, but we will come back to you on that. This year, the Department has placed significant emphasis on improving quality across all our programmes because resources are reducing. There is no point in getting people into learning if the quality is not sufficient. That includes working with the Education and Training Inspectorate.

Unfortunately, Steps to Work was introduced at a time of economic downturn. A person does not engage in Steps to Work unless they do so voluntarily and have been unemployed for 18 months. However, that is too late. We need interventions almost from day one to help people to keep engaged with the labour market.

Mr Allister:

Is it even reaching the economically inactive?

Ms C Bell:

We are involved in the incapacity benefit migration and in a new pre-work programme to help people to think about the labour market. We also have a number of projects at a very local level.

Dr Farry:

It is community-based.

Ms C Bell:

However, we recognise that if we do not tackle the issues faced by people who are unemployed or economically inactive, they become totally disengaged, and it then becomes very hard to motivate

them. That is the work in which we are currently involved.

Mr Allister:

The same thing could have been said five years ago. Is the situation any better now?

Ms C Bell:

I think that we now know what we need to do. We are pretty certain that we need to engage with people from day one. Unfortunately, the conditions only require engagement at 18 months or, if you are under 24, at six months. We are trying to bring that much closer to when a person comes into our jobs and benefits offices.

The Chairperson:

As I understand it, you are looking for additional resources for Steps to Work in your June monitoring round submission. What will happen if you do not get the additional money?

Dr Farry:

As I said in my opening remarks, there is parity in respect of the benefits that we offer in Northern Ireland. However, in the absence of the investment of additional resources, there will be a very real threat to our ability to maintain parity in the service that we provide. The Department for Work and Pensions —

The Chairperson:

Forgive me, but parity with whom?

Dr Farry:

I mean parity with the rest of the UK. Basically, there is a common framework throughout the UK for social security benefits including employment and support allowance. The level of benefits is one aspect; the other is the level of service provided. We will be able to maintain the level of benefits through the annually managed expenditure, which is the demand-led approach of Treasury funding. However, as for the level of service that the Department would be able to provide, there is a very real danger that we would be breaching the spirit of parity by not providing the same level of service that someone in a similar situation in England would expect to get through the Department for Work and Pensions.

The Chairperson:

As I said to members, we will come back to various issues, and we will look at the outcome of the June monitoring round later in the month.

Mr P Ramsey:

Minister, you are very welcome this morning, and good luck to you in your new position.

Dr Farry:

Thank you very much.

Mr P Ramsey:

I will mention some areas of concern to me and issues that need to be resolved, but I want to concentrate on one subject. Some would say that student fees are going to be the big baby for the Department, but so is the education maintenance allowance (EMA). The Department is looking at various options for that and, hopefully, we will get a decision soon. It links in greatly with the inquiry into young people not in employment, education or training (NEETs) and its outputs, on which we are expecting the Department to take the lead on a cross-departmental basis. You might want to come back to that issue.

There is concern about student fees not just in universities but among young people and families. Given the evidence that we have heard in recent years about the huge unmet demand for student places in Northern Ireland, one can only imagine that as most universities in Britain have opted to charge the maximum fee of £9,000, that demand will increase further. So, there will be great demand for places. I say that in the context of the maximum student number (MaSN) cap. I know, Minister, that you are to be in my constituency tomorrow to meet a number of people, including me. It is essential that recognition is given in the business case to the University of Ulster's plans for the expansion of Magee campus. We talked about the economy being the driver in the Programme for Government. Sir Graeme Davies will be talking to us later, and part of the remit of his inquiry was to look at regional disparity with regard to university places. Significantly, we still have only 3,500 full-time university places.

For the record, Chairperson —

The Chairperson:

Pat, I am quite happy to let you come back in again. I just think that the Minister has —

Mr P Ramsey:

It is important to ask how we can give comfort to families and young people who will not now have an incentive to study in England, Scotland and Wales. How are we going to fill that vacuum and enable our young people to undertake third-level education here?

Dr Farry:

That question raises a number of issues. First, I will say a brief word on the education maintenance allowance and NEETs. We will want to come back and have a wider discussion on education maintenance allowance at some stage. Obviously, it is a joint issue between my Department and the Department of Education. There is considerable dead weight in EMA efficiency; about 65% of people who receive it would argue that its absence would not change their behaviour. We need to reform EMA, and we will come back to talk about that.

Equally, I am mindful of the importance of the NEETs report that was commissioned by the previous Committee. My Department is leading on the development of a strategy, and we will come back to the Committee to discuss that. I stress that there is no money in the budget to implement a new NEETs strategy, but we will look at how we can progress that.

Mr P Ramsey:

Minister, you will know that Chris Lyttle and I are the only two remaining members of the previous Committee, which carried out the NEETs inquiry. Groups from the voluntary sector and others who participated in the inquiry said that receipt of EMA was a huge incentive for young people to remain in education. That has to be recognised.

Dr Farry:

There is no talk of removing EMA, but we need to make sure that it is working more effectively. We are using the very scarce resources that are available to the Department to the best effect. We will need to look at the dead weight issue; 65% dead weight is a considerable complication.

As regards the MaSN cap and the expansion of the University of Ulster, it is important to stress that any relaxation of the cap, or an increase, to say, an extra 1,000 places, would apply to

the university overall as opposed to the Magee campus. It would be for the university to decide how it distributes places across its campuses, rather than for the Department to say that they are all for Magee. You can make assumptions about what the university may wish to do were the cap to be lifted.

Personally, I am sympathetic to the case that is being made and the arguments that you have put forward this morning, Pat. However, I stress that increasing the cap would involve expenditure of around £10 million a year. That is not currently factored into the budget. My predecessor made a bid for that money as part of the Budget process, which was rejected by the Executive. I am happy to consider putting that bid back on the table, but it can only happen in the context of the resources being available.

It is worth stressing the wider point that you made about the distortions in the higher education system. If we had lower fees, there would be a problem in that the numbers of students from other parts of the UK who wished to come to Northern Ireland because of the lower fees would squeeze out local people from places. We are taking legal advice on how we can best manage that process. The other side of the coin is that fees went up in the rest of the UK, and, as you know, the Department currently pays the cost of the fees for Northern Ireland residents going to universities outside Northern Ireland. The rise in fees elsewhere in the UK is going to create additional budgetary pressures on us, and we will have to look at that as well. There is a two-way distortion because of different fees frameworks in different parts of the UK.

Mr McElduff:

First, does the Minister accept that the introduction of fees and any prospective increase in fees simply makes higher education and third-level education much more inaccessible to people from low-income families? How can that be justified? Secondly, it is my understanding that about one fifth of higher education here is delivered through our regional colleges. Are there any plans to increase that?

Dr Farry:

I will answer your second question first. Yes, that is something that we are very keen to develop, through, for example, foundation degrees. There is not necessarily a very neat distinction any longer between further education and higher education. There is an overlap, and the higher education strategy will, in part, address that. No doubt you will have an opportunity to engage on

that point later with Sir Graeme Davies.

I will outline a bit more of my thinking on fees, Barry. It is important to place the issue in its proper context. I have already spoken to David McIlveen about the importance of the universities and investment in skills to our economy. Jurisdictions around the world are facing the challenge of increasing investment in higher education at the same time as the number of people going to university is rising. We have a good story in Northern Ireland; the percentage of our young people going to university is in the high 40s. That is the highest figure of all UK regions. There are issues around the profile of the people who are going to university, but we have a good story to tell about the overall number.

Affordability and access are important. I have no doubt that a rise in fees will be a real deterrent and, indeed, a psychological deterrent for some people. Equally, I should stress that fees are not to be paid upfront. They will be paid down the line. Indeed, in some cases, people may never pay have to repay a fee, depending on their earning capacity. There are issues with regard to the threshold at which people would be asked to repay fees. On the other hand, there is an issue with regard to how we invest in universities, and fees are one option. There is a challenge to maintain the level of investment that happens elsewhere in these islands.

I am conscious that there is strong political and public opposition to a rise in fees. That is fairly clear from the recent election campaign. At this stage, I want to stress that my budget is currently premised on the assumption of the introduction of fees. Therefore, the budget says one thing while the policy position of the Executive as a whole says something else, and we have to confront that challenge. If a decision is taken not to proceed with fees — and I imagine that it would find favour with many people — that will create the problem of how to address the shortfall in the budget that will arise from that decision. That figure is around £40 million per annum, which would be a recurring cost. There is no big pot of money in reserve that can be drawn down to cover that. Indeed, any solution may only be in the context of the comprehensive spending review phase until 2015.

The Chairperson:

Minister, I just want to clarify that point. You said that if we do not get the fees increase currently predicated in the Budget, we will lose around £40 million annually. However, your briefing paper states that the Department faces real reduction in funding over the period of £32

million this year, £64 million next year, £81 million and £89 million. Is the £40 million that you have mentioned additional to those sums?

Mr Andrew Hamilton (Department for Employment and Learning):

It is factored in. The figures to which you refer are the overall picture with regard to the full Budget for Northern Ireland. It reflects the comparison of where we will be over the course of the CSR period in real terms compared with where we were in 2010-11. It is a slightly different comparison.

The Chairperson:

I am just trying to tease out how much money actually needs to be put to the Executive. You also have an aspiration for £14.7 million in the monitoring round. However, when Andrew was here last, he put more hope than expectation in the figures. Obviously, there are particular issues with that. I am trying to get at what the gap in funding will be if people meet their policy pledges and you have to try to meet your obligations. How much money will the Executive have to find for you?

Dr Farry:

As things stand, and all things being equal, we are talking about a recurring gap of £40 million. The figure that we put to the Executive may not necessarily be £40 million because, at the same time, we can think about taking other actions inside the Department. We can also consider other policy decisions that could be taken around the margins of the fees issue which would have impact on that figure, such as distortions in how we interface with other UK regions and the flows of students. Therefore, there are still many issues on the table. We need to make policy decisions on those issues, which will inform the figure that we present to the Executive. Obviously, we also have to drive as much efficiency as possible through the Department at the same time.

As regards choice, England has opted for fees. Many universities have opted for the figure of £9,000. Others have opted for a figure over £8,000. Scotland has done something entirely different. Wales is also doing something different. We shall not labour the Welsh model too much. However, Wales is an example of a devolved region. That is what devolution is all about; doing things differently to meet local priorities.

We could decide not to charge fees and fund this collectively — and there is the precedent of

the deferral of water charges, which was funded collectively by the Executive. However, that would have a consequence elsewhere in the Budget, and any choice made would have to be weighed by Ministers and MLAs on the Floor of the Assembly. We can have a situation in which we do not increase the level of fees, but that has to be taken in the context of other Executive priorities.

The Chairperson:

Will you be taking the lead in some potential opportunities there?

Dr Farry:

It is for me, as Minister, to bring options to the Executive. However, I stress that it would have to be a collective decision made by the Executive as a whole, and, after that, by the Assembly.

The Chairperson:

I am not going to labour the point, because I want to bring other people in and I do not want to interrupt —

Dr Farry:

I want to make one other point, Chair: if we do not increase fees and the issue is not addressed collectively by the Executive as a whole, which would leave us faced with the choice of funding it within the Department, it would be catastrophic for what we are doing. It would basically mean removing all our investment in skills. Publicly funded apprenticeships would have to be taken off the table, investment in essential skills would finish, and the employment service would be gutted.

Equally, if it were to be funded through the university sector, we would be talking about a cut of almost 50% in the public support that goes to universities. That would mean a reduction in the number of students and would potentially mean the closure of a campus of the University of Ulster, departments closing in both universities, and no new PhDs. To end up cutting back on our universities at a time when we are trying to send out the message that Northern Ireland has the skills and is open for business would send out a terribly mixed message.

The consequences of getting this wrong are extreme. You will have seen that message coming from both vice chancellors who made the point very clearly in the ‘Belfast Telegraph’ this

morning.

The Chairperson:

What is your plan for bringing this catastrophic picture, which would be the result if we do not do anything, to the Executive and the Assembly?

Dr Farry:

The Department is still engaged in the policy development process. However, my intention is to bring an options paper to the Executive prior to the summer recess.

The Chairperson:

Although this is the nub of what we are talking about here, I do not want to overindulge the Chair's privilege. However, we will come back to it.

Barry, had you concluded?

Mr McElduff:

Yes; I have concluded. Both elements to my question were addressed.

The Chairperson:

I must say that that was exemplary, Barry, in the way you asked specific and to-the-point questions. Perhaps you could give me a little bit of coaching afterwards. However, we have another expert coming now; Michelle is next.

Ms Gildernew:

I do not know that I am an expert.

Minister, you and your officials are very welcome. We do not want to spend all of our first session with you talking about fees, but the fact that we have laboured on the topic this morning shows that there is a lot of concern. You mentioned innovation in universities in your opening remarks. I was a wee bit disappointed by that, because I know that higher and further education colleges have been pivotal in innovation. For example, the manufacturing base in Mid Ulster worked very closely with Dungannon College to show that you do not have to be a university to be innovative and to enhance the economy. I got a glimpse of the news yesterday evening and

saw students from Fermanagh College talking to astronauts in outer space. There is certainly plenty of innovation.

To pick up on Jim's point; do you see further education picking up a number of problems from our education system? Are you getting young people who have come through 12 years of formal education at school who do not have qualifications to enable them to get further education?

The discussion on fees is very interesting. When I was Agriculture Minister, I had to take decisions on fees in our colleges, and I think it would be hugely problematic if fees were to be introduced. I think it would be difficult to get that through the Executive.

Are you still planning to recentralise the Jordanstown campus?

Dr Farry:

Just to make it clear, as things stand, fees are on the table. That will remain the case until a decision is made to take them off the table. It is important that we are conscious that that is a challenge and is something on which we need to take a decision.

My answer to David's question was based on what is happening in universities. What is happening in further education is just as exciting through interface and research and innovation. Two weeks ago, I was at the BEST Awards in Cookstown — the Chair of the Committee was also there — to look at the strong successes in innovation in the further education sector. There is considerable potential for a spin-off in the economy from what people are doing.

There is a clear issue about the level of qualifications that people have who are coming into the further education sector. That reflects, in part, the fact that although we have an education system that does very well for people at the top, there is, equally, a long tail of underachievement. I am under no illusion about the challenges that we face. However, the further education sector is doing a good job. Do you want to expand on that, Catherine?

Ms C Bell:

As regards young people coming through, there is a serious issue with literacy and numeracy. Young people coming from school into our training programme, our apprenticeship programme or our further education colleges are assessed for literacy and numeracy. We try to address any

problems that show up in those assessments.

The other thing is that the economy needs skills at level 3 and, particularly, at level 4, but we are finding that we have to start at level 2, which is the equivalent of five GCSEs at grade A* to C. However, we are working with our colleagues in the —

The Chairperson:

There is an issue — maybe it is just for me — with the general understanding of a level 4 qualification. What exactly does it mean?

Ms C Bell:

A level 4 qualification is just below a degree and is equivalent to a qualification at the old higher national level. A craft is a level 3 qualification, and a technician or advanced technician is at level 4. Level 2 is the equivalent of five GCSEs.

Dr Farry:

There is a very interesting colour chart on that, which we can circulate among Committee members for next week.

The Chairperson:

There is an issue about what level 4 means and what the projected skills from such a qualification are. Minister, you mentioned that we have been at a number of presentations, and somebody mentioned that 60% of jobs — maybe it was new jobs or all jobs — would require level 4 qualifications. The current level is 30%. That is an issue that is worth bringing to the fore.

Ms C Bell:

Level 4 is the advanced technician level. What we find with the high-value companies — the companies that offer salaries at the level that we want for Northern Ireland — is that not everybody needs a degree. You need a small percentage of people with a PhD, a bigger percentage with a Masters degree and a bigger percentage again with a basic degree. However, 70% of the workforce have qualifications that are just above school level, which is really the HNC and HND level. That is the challenge that we have. If we are going to attract inward investment and higher-value companies, those are the skills that they are looking for. Yet, we are sitting with a large number of people who have level two qualifications.

As I said, we are working with our colleagues in the Department of Education, and the joint work that we doing with 14- to 19-year-olds is a success. We do not make a big deal about it, but the idea of young people having a mix of professional and technical — or, in old speak, vocational and academic — qualifications is working. However, we do need many more young people coming through with level 2 qualifications so that we can start to get them level 3 qualifications, which are equivalent to two A levels.

Dr Farry:

I have two points to add, one of which touches on the point that was made by Jim Allister at the start. When I said that we have a good story to tell in part about skills, there are also huge issues with the profile of the skills and gaps. For example, with STEM subjects, although the figures may superficially appear to be improving, there may be an overemphasis on something such as medicine, which skews the figures away from pure science and engineering.

If we look ahead 10 years to the workforce that we will require in 2020, almost 80% of the workers will be in work, not in college or at school. So, when we talk about upskilling the workforce and planning for the economic needs of the future, it is important not to focus entirely on those coming through the education system. We also have to focus on the people in work.

Michelle raised another point, which was about the Belfast campus of the University of Ulster. That is a major programme for the university, but the business case stated that the consolidation of the Belfast campus was by far the most economically advantageous thing to do.

Ms Gildernew:

Business cases have a way of —

Dr Farry:

Economists never lie.

The Chairperson:

Economic cases can be made for centralising everything, but that goes against a lot of other policies such as rural proofing and access. We understand the economic case, but the Executive are there to say: we have other policy issues.

Dr Farry:

This is, in a sense, a Belfast/Jordanstown issue and we already addressed the point raised by Pat regarding the potential expansion of UU numbers with an implicit assumption that that involves an expansion at Magee. There is a point in spreading things out as far as we can across Northern Ireland but there is a strong economic argument for what they are wishing to do. It is not my job to micromanage the two universities; they are independent bodies. However, the Department has a role in the capital investment and has to sign off on that. It was not my decision but the arguments were strong.

Mr A Hamilton:

The business case was not one that was prepared by the University of Ulster for just its own purposes; it was subject to scrutiny by the Department and DFP, so there was external scrutiny.

The Chairperson:

We made the point to your officials, Minister, the last time. Although there is a case for not micromanaging issues, given the financial projections that you outlined, the Committee will want to understand significant financial investments and decisions that have been made. We cannot afford the luxury of just saying that somebody else is going to look at this. I will be guided by the Committee but I think that it will want to get into more detail. I just put that marker down. Four other members want to speak, so, Michelle, back to you.

Ms Gildernew:

I will defer to colleagues, and if I get back in at the end, I would appreciate that, too.

The Chairperson:

OK we will try to get back to you. Let us see whether we can snappy it up, and no better person to be snappy than Sammy himself. So, come on, and show us what you have got because you have your new calculator and folder.

Mr Douglas:

Minister, I congratulate you on your appointment and wish you every success. Later today, we will be looking at the higher education strategy. Yesterday, I was talking to a young student and I asked her for her opinions. She is from one of the low-income families that we were talking

about, and, obviously, that is a big part of my area. She held off from embarking on further and higher education for a number of years purely because she wanted to go to Canada on placement, and she is now back. However, she had to pay for her flights, her health insurance and everything else up front. There are enough obstacles in disadvantaged communities to encouraging people out of poverty and distress without those hurdles. Is there a mechanism to monitor those aspects? We are not talking about additional money. We just want to help people from low-income families.

Is there a plan to ensure that we proactively target those areas and reach targets in those areas?

Dr Farry:

Thank you, Sammy, for your congratulations. We will see how it goes over the coming months; however, I look forward to working closely with everyone.

There is a whole range of issues, and part of your question touches on some of the things that were raised during the first debate in the Assembly. A support fund in the university may be able to address your points. The importance of international links in the higher education strategy was one of the core themes, and that works in two ways. The first is attracting overseas students into our colleges and universities. I do not want us to be parochial with two local universities servicing a local population with a big wall round us. It is important that we engage with the world. The other side of the coin is that we allow our own people to have opportunities to develop, particularly at an early age. Access network with other examples of best practice is happening, and I am very open about that. No doubt, Sir Graeme Davies will expand on that later as an important theme.

With regard to ensuring that we encourage people into university, we have a consultation on widening participation, which has a slightly lower profile, compared to tuition fees. However, it is equally important. We are mindful of improving the profile. We have a good story to tell on the overall numbers profile.

The Chairperson:

In the interests of keeping it rolling on the point, you are quite right: the consultation is coming, and we will pick up Sammy's good point then.

Mr Buchanan:

What collaborative work are you doing with DETI to find innovative ways of reducing unemployment? Has the Department any targets over the next year to look at reducing unemployment and getting people back into employment in the short and long terms? You referred to the differential in the fees framework across the UK. Has the Department looked at, or is there any mechanism in the Department, to attract more students from across the water at a reduced fee to that paid in England without reducing the cap on student numbers in Northern Ireland? You would be increasing the cap for those coming in from England with the attraction of a reduced fee and still not affect the students from here.

Dr Farry:

Congratulations, Tom, on your appointment as Deputy Chairperson. We need to work backwards. We are happy to look at everything to manage the flow of students. Wales is making some brave assumptions over what it can do to support its local residents and is part-funding that through attracting in students from elsewhere in these islands to part-subsidise that. We will see how that fits in to the broader mix. However, whatever we decide to do with fees will have some distortions.

The Chairperson:

With regard to Tom's point, there will be an impact because of the fee structures in England, Wales and elsewhere. You will have had a look at a risk analysis or something similar on that issue.

Dr Farry:

We are actively looking at those issues. With regard to the higher education strategy, and to depart ever so briefly, you will be aware that a parallel strategy is being developed in England through the Department for Business, Innovation and Skills (BIS). I had a meeting with David Willetts, my counterpart, and we agreed that my officials and his officials could have an exchange of views to ensure that we develop policy that takes into account what is happening in other jurisdictions. We are very mindful of that.

On the point about co-operation with DETI and attracting people back into work, there are a whole host of things that we can address. The two Departments are key partners, and I will meet Arlene very shortly to discuss those issues. You will also appreciate that there is an economic

subcommittee of the Executive, of which the two Departments are key members, and we are working on a strategy. The draft strategy puts a short-term focus on employability and on getting people back into work ahead of the overarching long-term goal of increasing productivity gain in the economy. Addressing unemployment is a short-term focus of the Executive, and we are taking a number of measures. Much of the work on job creation lies beyond my Department's remit, but there are things that we can do with the interface between the Departments.

The Chairperson:

There was a meeting yesterday at Queen's, and there is some pressure for a collaborative approach not only between your Department and DETI but between those Departments and DE. Obviously, you have an Executive subcommittee, but that is one of those things that is down in the bowels and no one really knows that it happens. A more strategic approach might be interesting. I still think that there is a need for a different focus from Departments, but the three Departments coming together collaboratively would be welcomed by some.

Dr Farry:

Sure. The Minister of Education is keen to stress the economic importance of what he is doing and, no doubt, the Minister of Agriculture and Rural Development will argue that there is an interface there as well. We are doing a number of things. We are working on a short-term employment measures scheme with Invest Northern Ireland. At the other end of the spectrum, there is the assured skills programme.

The Chairperson:

I do not want to go on for too long, because I set a timescale. There is a feeling that much departmental activity is silo-based. One Department does not know what is going on in another, and there are bound to be knock-on effects. The Committee has received an offer from our counterparts on how we might work together, but, in line with what Tom said, there is an opportunity for you to take some leadership on the issue. Obviously, it takes a bit of working together.

Dr Farry:

I agree entirely. We are all extremely mindful of the need to move away from the silo mentality.

Mr Lyttle:

I am delighted to welcome an Alliance Party Minister to the Committee.

The Chairperson:

Next. *[Laughter.]*

Mr Lyttle:

I do so despite significant challenges ahead. Minister, you emphasised that you will not forget the Department's key role in upskilling local people who are already in work. What plans does the Department have to help employers to access training for workers?

Dr Farry:

The interface with employers is critical, and, in the future of skills implementation, I am keen to highlight employers' ability to direct what we are doing. At a very high level is the assured skills programme. The changes to state-aid regulations mean that if a big investment comes in through Invest Northern Ireland from the United States in particular, we can shift the focus to bespoke training for people working in those companies to address employers' direct needs. That is one end of the spectrum.

Ms C Bell:

The assured skills programme is also open to indigenous companies that are expanding. During the previous skills strategy we discovered that although we had many products, employers were not aware of them. It is not a case of our going out and selling what we have. We have developed the skills solutions model, and the notion is that some of our staff who have been very well trained in engaging with employers will go out to look at what the employer needs. It starts with what the employer is looking for and we either try to match the employer with what we have or develop a bespoke model for that employer.

We are mindful that Invest NI should also meet employers. Work is going on between the two Departments, particularly on management and leadership. It does not matter how an employer engages with Invest NI or with the Department, because the wires are hidden and the employer gets what the employer needs.

The Chairperson:

I realise that Chris is here and is supportive of his Minister.

Dr Farry:

Chris can ask as difficult a question as anyone else.

The Chairperson:

He is far too nice for that.

Mr Lyttle:

With respect, Chairperson, that was raised as a significant issue, and I was merely seeking further information on it.

The Chairperson:

Just to be clear — even though there was a little bit of humour in it — I am not stopping Chris; he can come back in.

The Committee Clerk and I were at a big conference yesterday hosted by Queen's University and attended by many employers. One of the things that employers bemoaned was that no one from the Department of Education or the Department for Employment and Learning was there apart from us; I think that we were the only surrogates of the political establishment. The world-wide something or other of Rolls-Royce — very prestigious — was there talking to schools. My point is that employers need to be brought in. There seem to be so many silos that nobody knows what is happening elsewhere. Everything needs to be brought together. I agree with Chris, but we need to find a way of pulling it all together.

I apologise for coming in in the middle of your bit, Chris; I will hand back to you now. I was going to raise that point in my submission anyway.

Mr Lyttle:

I would nothing expect less, Chairperson. I am grateful for the information. As has been said, upskilling existing workers will be just as important as providing skills for those in education.

Ms C Bell:

I will make a point about assured skills. The assured skills programme is jointly worked on by us and Invest NI. When an idea is first put forward about someone coming to Northern Ireland way in the future, the Department is brought to the table. Therefore we are with Invest NI from day one. For example, we are working with six other Departments on the STEM subjects.

The Chairperson:

Some people argue that that is not the most efficient way of doing things. It is very difficult to keep six Departments in tow. One of the employers who spoke at yesterday's meeting and who was also at the Department for Employment and Learning skills conference —

The Committee Clerk:

He was from Citibank.

The Chairperson:

I am getting advice from all sides.

Dr Farry:

At the expense of my two colleagues, I will make a political point: there is an issue with the de-rationalisation of Departments in Northern Ireland. That is not simply about financial savings but about making government more joined up. We have to deal with the legacy of, among others, the Independent Review of Economic Policy (IREP) report. I am in danger of talking myself out of the job at this stage.

The Chairperson:

There is a debate that we could have around an argument that was put to me. Minister, you will be pleased to know that I was misidentified as the Minister yesterday, but I soon made it clear that there is a difference. The night before we were at a very successful meeting, although many members sent their apologies, with the Royal Society of Chemistry; they said that there needs to be a focus on science and technology. It is looking for another Committee, not fewer Committees.

There is a challenge for you, as an Executive leader, to tell us how we might address the multiplicity of activity going on. I do not want to be down on anyone, because I know that many

people are doing excellent work; however, too many people are doing the same thing. We have to find a way of pulling everything together.

Dr Farry:

It is early days in the new Executive. I appreciate that I have limited experience to base this on, but there does seem to be a certain new spirit of co-operation among Ministers. However, it is early days, and much will slip through the cracks. Nevertheless, it is being drilled into us how important partnership is for the way forward. We shall see how long that lasts, but it is encouraging.

The Chairperson:

OK. In the interests of partnership, I would like to bring in my colleague Sandra Overend, who has been waiting patiently. I have offered for a number of individuals to come back in, but your comments need to be short, sharp and to the point. Sandra, you have a bit more time because you have not spoken yet.

Mrs Overend:

I want to pick up on Chris Lyttle's point. There is a challenge to improve communications with small and medium-sized enterprises (SMEs). I want to bring in another cross-departmental action. There are concerns about adults with severe learning disabilities and post-19 provision of education. What are your priorities for that group? What are the challenges?

Dr Farry:

We recognise the point that you make regarding better engagement with SMEs. Our economy is heavily skewed towards small businesses, so it is an important message to get across in respect of the training needs in organisations of that scale. Too often, the debate focuses on bigger organisations. We are extremely mindful of that, and that will feature in our implementation plan around skills. I will pass over to Catherine to respond to the question about adults with disabilities.

Ms C Bell:

All our programmes take account of people with learning disabilities and wider disabilities. Significant funding goes in specifically to fund young people and adults who have learning difficulties or disabilities to enable them to access further education. However, the specific issue

is to do with young people who are at special schools and who need medical support. They attend special school until they are 19, and the next stage is an adult centre, which belongs to the Department of Health. However, there are insufficient places. Often people who have come quite a distance regress because it takes a long time to get to the adult centre. If they have severe medical problems, it is very difficult for our college to pick those up. We can adapt or put in different aids for anyone who can access further education, but if there is a severe medical condition, it becomes a real problem. There are not enough places in adult centres. I understand what you are saying.

Dr Farry:

That raises a broader point, and I will return to the employment service and the issue of the incapacity benefit migration. Many of those coming across will have mental-health issues or physical or learning disabilities, and many will have been written off as unable to make a contribution through work. That is a big loss to our economy. On the other hand, we are very sensitive to the need to encourage people to think about work. We will not come down heavily on people by saying that they must work because such an approach can be counterproductive. A great deal of training will be given, and the experienced people in the employment service will interview those coming across on the migration to ensure that their needs are genuinely taken into account.

The Chairperson:

We might pick that up as a theme because there is an issue there for us, Sandra. We will talk about that and put it in the work programme.

Mr D McIlveen:

The issue of fees still has mileage.

Dr Farry:

Do you think? *[Laughter.]*

Mr D McIlveen:

It will come up again, so I cannot add anything.

Mr Allister:

I am concerned that we are ending this session without a great deal of clarity on the timescale or content of where we are going on tuition fees. You say that you hope to put forward a paper before recess, which is worrying in itself, but that it may not be until after recess. However, it is clear that your paper will include an option for increasing fees. That may be kicked back to you, and we may then be back to “buts”, I suspect, and more time lost. New terms are looming, and universities, parents and students need to know where they stand. Frankly, an hour into this meeting there is not much clarity on whether any of those deadlines will be met.

Dr Farry:

The consultation on fees closes on Friday. I am conscious that the Committee is keen to get a briefing as soon as possible on its outcome. I do not want to give a cast-iron guarantee on the timetable because it has to be processed through the Department, but we will do everything in our power to get it to the Committee before it rises for the summer. The Executive will meet through July. I will bring an options paper to the Executive, and “options” implies more than one route that we can follow.

The Chairperson:

The issue may be a timetable for when that paper would be presented.

Dr Farry:

I am just coming to that. My officials are drafting the paper. I will have to consider policy issues. I hope to have the paper with the Executive before the end of June but, failing that, certainly in early July.

In practice, there is a deadline of September to reach decisions on what the future holds for fees to allow the universities, students and their families to make decisions about the way forward. In the context that fees are to be taken forward, legislation will have to go through the Assembly. If we decide to keep fees at the current level and address the shortfall in the budget by other means, there will also be a need for legislation on some of the ancillary aspects that will be created as a consequence of the decision not to go for fees. Therefore September is the practical date.

The Chairperson:

The Committee may or may not sit over the summer; it depends on how members feel. However, you are aware that the Committee is asking for a take-note debate in the last week. As an outworking of this meeting, we will write to you asking when you can update us on when your options paper is likely to be presented. It would be useful for all concerned to have an informed debate in the Assembly. If I write to you, you can tell us what you think the timeframe will be. We will certainly deal with that, Jim, on the debate on the last day.

Mr Allister:

My concern is that there is so much to be done; there will be legislation one way or another. If you are the parent of a student, you will not know anything by the time you have to make decisions.

The Chairperson:

Jim, the point is made.

Dr Farry:

September is the deadline.

The Chairperson:

We know that that is the deadline for that, but for having an informed debate in the Assembly, which is right and proper given the interest in the issue, and informing parents and students who have to make decisions, the sooner we can get things out the better.

Dr Farry:

We will do our best to brief the Committee ahead of that debate on the evolution in thinking. However, a draft paper prepared for the Executive would have to be considered by Executive colleagues first and ahead of the Committee. However, we will try to do something in parallel with the Committee on the far side of the consultation process on the evolution of our thinking.

The Chairperson:

I understand the constraints facing you, Minister, but you will also appreciate that it would be helpful if we could be together on this.

Dr Farry:

I am extremely mindful of the interest and also the effect of the summer recess on the Committee.

Ms Gildernew:

On the back of Sandra's point, it may be a good idea for the Committee to visit the Thomas Doran training centre at Parkanaur. When we meet SMEs, they talk, without exception, about banks. We ask that you do everything that you can — encourage, persuade, force, coerce or whatever you have to do — to get banks to lend and to get cash flowing again because it is crippling our SME sector and our rural businesses.

I am not sure whether you know it, Minister, but you have a childcare budget; however, many young adults go into higher and further education unaware of it. May I suggest that you task officials with that?

Dr Farry:

That has been noted.

Mr McElduff:

Perhaps Jim has teased out the matters that I wanted to address. My point was that the budget is premised on the assumption of fees being introduced. Is there a plan B?

Dr Farry:

I would not want to give a letter to each of the plans, but there are different options on how we handle the issue. One option is that fees could be addressed collectively by the Executive. That would beg the question of where the money would come from in an already tight budgetary settlement. If we have to address it through the Department, there would be catastrophic consequences.

The Chairperson:

Minister, have those consequences been set out?

Dr Farry:

We can include that in the background briefing that you have asked for ahead of the debate. We can set out the consequences if the issue were not addressed.

The Chairperson:

We will deal with that through correspondence with the Minister and will endeavour to get that information before the debate. Is that satisfactory?

Mr McElduff:

Yes; thank you.

Mr P Ramsey:

We need a discussion with the Department on outputs from our inquiry on young people who are not in education, employment or training.

Dr Farry:

We would be happy to have a focused discussion on that.

The Chairperson:

We could talk all day, but we do not have the time. A couple of points came up in my recent consultation. On the issue of options around fees, one thing that came up yesterday was that, Romania, for example, takes a different attitude. They put fees up, but they guarantee people a tax-free period. I know that that option may not be possible because we do not have tax-varying powers, but it is an imaginative way of encouraging people into the appropriate degree courses and keeping them in the country at the same time. We need to rebalance how we incentivise people to do the courses, notably in electronic engineering and various other things. Your innovative thinking on that would be welcome.

Dr Farry:

I can answer that now if you like.

The Chairperson:

If that is OK, Minister: it is your time that I am managing here. If you have time, we would be quite happy, because this is the important bit. However, I will just put that question to you about how we incentivise.

Dr Farry:

I will come back to the Committee on that.

The Chairperson:

It is not a matter of just keeping fees low; there is a need to rebalance to make sure that we get the right people with the right skills so that we can give them good jobs. There is nothing more dispiriting than people doing a degree, getting themselves into debt and then not getting a job.

One point that came up around helping people into work, which is something that we around this table should be aware of, is the need to give all students communication skills. They do not just need written skills but verbal ones as well. They often do not have the confidence to go out and sell themselves to the market. It has been recognised that the softer skills are something apart from the hard skills that they have to learn. If you take that on board, there is still an issue with careers advice. There is a mismatch between where jobs are available and the advice that people are getting at different levels.

The final point that I will put to you is that we have collective responsibility for NEETs, and we all agree that the earlier the intervention the better. Although we want to make sure that we do not step on other people's toes, the early years strategy is of particular interest to you and we need to look at a better way that we can take responsibility for certain issues on it. You are quite welcome, Minister, to say a few brief words.

Dr Farry:

The NEETs issue is a big one, and Pat has already mentioned that, but it is not an issue for ourselves alone. What happens in early years is perhaps more important than anything. Careers are something that I am personally interested in, and over the coming months we are going to look closely at how we can better align careers advice to the needs of employers and the evolving economy. We are looking at the possibility of trying to incentivise people on the back of the skills strategy. The strategy itself highlights a number of key areas in which people need to be encouraged to study, and it is now important that we follow that through in the implementation plan and make it a reality. I think that that is three of your six points; we will come back on the others.

The Chairperson:

I was not expecting you to deal with them all.

Dr Farry:

There is a very broad range of matters for us to discuss over the coming weeks and months. In closing, I greatly appreciate the opportunity to talk to you this morning. You have covered a massive range of topics, although you did not even bring up the agency workers directive, but no doubt you have grilled my officials on that already. We welcome the opportunity to have a debate on the Floor of the Assembly on 21 June. I stress that it is very much meant to be a partnership, and I am happy to come back to the Committee on a regular basis. Today we have had a very general discussion, and in the future we can perhaps have a more focused discussion on particular topics as and when you wish.

The Chairperson:

That is very generous of you, Minister. We appreciate your time and that of your officials. It has been, of necessity, a bit of a broad range. Part of what we were responding to was the list of departmental priorities that you sent to us. We will try to work at having more structured, focused debates on matters that are of interest to members. Obviously, that will still entail holding you to account on the various issues, but I agree that a little bit of focus will be helpful. Nevertheless, it was a very good engagement with you and I thank you for the openness with which you have discussed matters. We will try to have a reasonable discussion on the issues that come up. Thank you all very much.

Dr Farry:

All the best; see you soon.