

Economies with a highly skilled and qualified labour force are more productive and wealthier

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Politicians across the world are finally talking about the economy.

The squeeze on public finances for over a decade has focused minds on the need to increase revenue through economic growth rather than the annual cycle of increasing tax rates.

Although the Executive does not have as many policy tools as national governments in terms of full control over all tax rates, it does have policy control over our key resource, the skills of our people.

To help inform skills policy, the team in the Ulster University Economic Policy Centre recently published its latest Skills Barometer research.

This publication is updated every two years to help advise young people when making career decisions, education institutions focus their curricula and Government target policy interventions. The latest edition identifies a range of important issues for our politicians.

The skills profile of the jobs being created is probably the biggest challenge facing policy makers. As the economy evolves and technology is increasingly important in all work settings, almost half of these roles will require qualifications at degree level or above.

Significant progress has been made over the last two decades to boost the qualifications profile of those leaving education to the point where approximately one third of those currently in the local labour market have a degree. This may sound impressive, but the improvement trend must continue because Northern Ireland has the lowest proportion of graduates in its workforce across all UK and Irish regions.

Economies with a highly skilled and qualified labour force are more productive and wealthier, in contrast, our lower qualified workforce is the main reason we have lower earnings and productivity relative to the South and across the water.

Encouragingly though, there is light at the end of the tunnel, because many of the growth opportunities are in sectors such as ICT, professional services and life and health sciences. By way of example, ICT is expected to expand by over 3% annually, creating thousands of additional jobs in programming, data analytics and cyber security. This changing landscape has led to a rise in demand for higher-level qualifications and specialised skill sets.

Shortages in the technology sector have been reported for many years and one of the reasons identified has been the challenge the sector has had in attracting females. This problem is related to a difference in preference made by boys and girls when making their degree choices. Approximately 30% of men in Higher Education are studying a STEM related degree subject, compared only 14% of women. It is unsurprising therefore that STEM employers struggle to recruit women.

However, the solution is not as straightforward as many think. The obvious answer is to encourage more females into STEM related degree subjects, but this raises the question, where are these females going to come from? That leads us to degree subjects where women are over-represented, in particular, medical related subjects such as nursing, pharmacy and physiology. Approximately 23% of all females in Higher Education are studying a medical related subject compared to just 6% of males.

The issue with that approach, as identified by the Skills Barometer, is that demand for medical related degree subjects far exceeds supply. Therefore, if more females are attracted into the STEM sector, it creates an even greater problem elsewhere in the economy. In simple terms, we have a shortage of people problem.

I have written previously on the issues of demographics and migration. The falling birth rate is a global issue and is caused by the 'wealth effect', as economies become wealthier, families have fewer children. This seem counter-intuitive but the main reason economies have become wealthier over the last 30 to 40 years is due to increased female participation in the labour market, more women are working, and working women are less inclined to have larger families. That trend will not change.

The second issue of immigration has become highly contentious. Although Northern Ireland does not have high numbers of migrants, it is a politically sensitive issue on other parts of these islands that we must recognise. That trend will also not change.

This opens the final potential source of labour for the economy, the economically inactive. A group typically facing health challenges or have caring responsibilities. Northern Ireland has the highest level of economically inactive across the UK which has been difficult to reverse for many years. In addition to the immediate issues preventing their return to work, this group typically have lower level skills and therefore will not solve the skills shortage in the absence of a major skills intervention. As a result, when people become economically inactive they tend to remain inactive for the remainder of their lives.

Therefore the most effective way to reduce economic inactivity is to stop people becoming inactive in the first instance. Too many young people become disengaged from education at a young age for a range of reasons including they are not well suited to a traditional academic education.

The culture in our society strongly favours the academic education pathway, which is appropriate for many young people. However, for many others access to

vocational education at an earlier age could keep them engaged in education for longer and allow them to make a positive contribution to the economy and society more generally.

Without wanting to draw parallels with political leaders elsewhere, I would suggest the clarion call from our politicians should be "Skills Baby Skills".

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About UUEPC

UUEPC is an independent economic research centre focused on producing evidence-based research to inform policy development and implementation. It engages with all organisations that have an interest in enhancing the Northern Ireland economy. The UUEPC's work is relevant to government, business and the wider public with the aim of engaging those who may previously have been disengaged from economic debate.

