

Statement

*to the*

Oireachtas Joint Committee

on Education and Skills

*on*

*Investing in National Ambition: a strategy for Funding Higher Education*

Report of the Expert Group on the

Future Funding of Higher Education

10th November 2016

Opening Statement by Professor Don Barry, Chair, Irish Universities Association

### 1. Introduction

On behalf of my colleague members of Council, I am grateful to the Committee for the opportunity to discuss the funding of Higher Education. We welcome the report of the Expert Group on the Future Funding of Higher Education and endorse its findings. We would also like to record our thanks to Peter Cassells, the members of the group and its secretariat, both for the report itself and also the extensive process of research, evidence gathering and consultation which has been distilled into the final text.

### 2. The Case for Investment

The run up to the Budget and the recent private members motion debate in Dail Eireann demonstrate a broad acknowledgement of the difficulties caused by almost a decade of cutbacks in higher education funding. In our submission to the committee we set out the scale of those cutbacks and identify their impact on the core grant, the unit of resource per student and on student-staff ratios. Our findings mirror those of the Cassells’ report.

Falling resources do not by themselves justify increased investment. Any such investment must have a purpose and a benefit. The Cassells report clearly articulates the benefits of such investment across the headings of Economic Growth and Prosperity, Social Development, Culture and Civic Engagement. The group reflects a deep understanding of the complex world which our graduates face now and into the future and the importance of educational quality to the social and economic progress of our nation.

### 3. The Purpose of Investment

Against this backdrop, we have three main challenges:

Firstly, the more complex and changing world for which we are educating students, requires more sophisticated educational approaches. The group captures this well in identifying the need to invest in improved student staff ratios, smaller tutorial groups, more one-to-one contact with students, more project work, enhanced feedback and more time to engage in diverse learning styles and to support at-risk students. The group also highlights the need for investment in support services such as library and information services, student guidance and counselling – and the necessary capital funding to support all of this.

We strongly endorse this view of a quality education which enhances student outcomes and life chances.

The second challenge relates to demographics and access. Since the 1960’s, Ireland has made significant progress in the democratisation and widening of our education system. This is reflected in the growth in participation levels, expanded post graduate education and continuing professional development, and the internationalisation of our student and staff populations. We detail these in our submission. Catering for an almost thirty percent increase in new entrants by 2030 and making further inroads into tackling disadvantage in its various forms requires significant investment.

The Cassells group quantifies this.

To address demographics and move to a student to staff ratio of 14:1, the report estimates a need for an additional six hundred million euro per annum (€600m) by 2021 and one billion euro per annum by 2030. A further spend of an additional one hundred million euro per annum (€100m) is recommended for access measures.

Lastly we have a capital investment challenge, scaled at five and a half billion euro (€5.5bn) over fifteen years.

### 4. The Solutions

In terms of solutions, the Cassells group identifies three main contributors to higher education: one, the state, two, students, and three, employers. This is based on the view that all three groups derive benefit from higher education.

* The state benefits because there are wide ranging returns to society from a well-educated population.

* Students benefit because, in the aggregate, substantial earnings premiums accrue to those with higher levels of education.

* Finally, employers benefit since advanced human capital is a key driver of innovation and productivity.

In putting forward its funding options, the report concludes that each of the beneficiaries should also contribute. We agree with this conclusion and see a mixed funding system involving the exchequer, students and employers as the best way to deliver a high quality, sustainable higher education system.

In looking at the options put forward by the group, it is worth saying that we already have a mixed funding system in place. The state currently pays through the combined core grant and grant in lieu of fees mechanism, and students pay via the student contribution. Employers pay via the National Training Fund levy, albeit that only a tiny proportion of this finds its way into higher education.

The difficulty Ireland faces is that the quantum of funding delivered through these mechanisms is not proving sufficient to deliver a system that meets the quality standards which students deserve and which society needs for its long-run wellbeing and competitiveness. This, in essence, is the conclusion of the Expert Group.

There are important choices to be made in how the investment which the Cassells report calls for is delivered. These are political and societal choices. However, Chair, we would like to offer some observations which bear on those choices.

### 5. Public Funding

Firstly, public funding must continue to be a foundation for higher education. This is especially the case in a society that values high participation rates.

But historically, exchequer funding has not followed student growth. Between 2008 and 2015 student numbers rose by twenty percent. However, the unit of resource per student fell by twenty one percent. This combination of rising student numbers and falling resources per student is particularly toxic, and Ireland is at the bottom of the league in the OECD in this regard.

To begin to make meaningful inroads to the problem, our budget 2017 submission called for an immediate injection of seventy five million euro (€75m) in recurrent funding for universities and thirty million euro (€30m) in capital. The eventual outcome was a total package of thirty six point five million euro (€36.5m) recurrent funding for higher education overall. However, only a small proportion of this is to address growth in student numbers and it will make no inroads into improving student-staff ratios or rebuilding quality.

It appears that no allocation whatsoever has been made for an injection of capital.

Unfortunately, this seems to reinforce historical experience in regard to the very real difficulty in moving towards a sustainable funding model based solely on public investment.

Nevertheless, it does represent an improvement over years of actual cutbacks and the promised three year package of one hundred and sixty million euro (€160m) is a step in the right direction. However, it is very far from the six hundred million euro (€600m) investment called for in the Cassells report.

### 6. Employer Contribution

On the matter of employer contributions, the National Training Fund was instigated in 2000 to support training in and for employment. It must be said that higher education is demonstrably a very successful form of preparation for employment. Three issues arise in the context of the use of this fund for higher education. The first is that there is a need for greater transparency as to where the money in the fund is currently expended, particularly in regard to the “for employment” component.

Secondly, this is a fund which is heavily in surplus, and that surplus is growing. The 2017 Abridged Book of Estimates projects a surplus of two hundred and seventy two million euro (€272m) at the end of 2017. At a time when wages and employment in the economy are growing and adding to this surplus, we must seriously question why this surplus is not being applied to the crisis in higher education funding.

This matter should be addressed immediately, particularly in light of the outcome of the Estimates. Finally, while we can understand that employers may balk against an increase in the rate of the levy, it needs to be seen in the context of our overall corporate taxation regime and other reliefs and incentives available to business. The fifty million euro (€50m) which a 0.1 percent increase in the levy is projected by the Cassells group to yield is not insignificant in the context of the difficulties facing the sector.

### 7. Student Contribution

I will turn now Chair, to the student contribution. Firstly, we should acknowledge that the current student charge at three thousand euro (€3,000) per annum is substantial. However, if these funds did not exist, not just quality, but the actual viability of the system would be put at risk.

One important aspect of having a student contribution is that it ensures a level of financial stability when student numbers are rising, since each additional student brings additional resources into the system. Given the Cassells group’s projections for increased student numbers, this factor is critical.

In terms of the mix of funding, precisely who should pay what, across the spectrum of state, students and employers is essentially a societal and political choice.

However, we want to state upfront that we endorse the Cassells groups’ view that a system where very high levels of fees (such as those applying in the UK or the US) are charged is not acceptable, whether paid up front or under an income contingent loans system. It runs counter to the principles articulated in Chapter four of the report, particularly that of Fairness and Balance.

We also want to suggest that, regardless of the level of the charge, there are arguments in favour of deferred payment. It avoids pressures on families to pay up front at a time when family incomes are under a variety of pressures in the wake of the economic crisis. In some cases, this involves borrowing at commercial rates with the requirement for immediate repayment – conditions which are more onerous than those envisaged for an income contingent loans scheme.

In terms of the scale of resourcing challenge facing the sector, the burden spreading which a loans system allows, does, at a practical level, make some increase in the student contribution component more feasible.

Any such increase needs to be seen in the context of the returns from investing in higher education. The OECD calculates that the private returns to an individual from higher education in Ireland are the highest among the member countries surveyed – by a substantial margin.

The group’s assessment of likely repayment scenarios involving loans of sixteen and twenty thousand euros, respectively, suggest to us that an affordable system can be constructed and that progressivity can be built into such a system.

We would also like to mention that the current system whereby the state pays the student charge for a large cohort of students is not without opportunity cost since this absorbs resources which could otherwise be channelled into the system to improve both maintenance grants and pastoral and other supports for access students.

### 8. Conclusion

Finally, Chair, we agree with the Cassells report that increased contributions to higher education should be accounted for transparently in terms of where the resources are going and what the spending is achieving. There have been significant improvements in this regard under the national strategy for Higher Education.

The HEA system performance report and strategic dialogue process and employer and student feedback surveys are a very solid platform to build on in this regard.

In conclusion Chair, we reiterate our endorsement of the Cassells report and we support the committee in its important work of debating and making recommendations on measures needed to build a higher education system which supports our shared ambitions for an educated, prosperous and progressive society.

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