



TECHNOLOGICAL HIGHER EDUCATION ASSOCIATION

**Presentation to the Joint Oireachtas Committee
on Education and Skills**

DRAFT

***Report of the Expert Group on Future Funding for Higher
Education***

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Submission by the Technological Higher Education Association to the Oireachtas Joint Committee on Education and Skills

Investing in National Ambition: A Strategy for Funding Higher Education. Report of the Expert Group on Future Funding for Higher Education

Preamble

The Technological Higher Education Association (THEA) welcomes the invitation by the Joint Committee on Education and Skills to discuss the findings of *Investing in National Ambition: A Strategy for Funding Higher Education. Report of the Expert Group on Future Funding for Higher Education* [hereafter *Cassells Report*].

In responding to the Committee's invitation, THEA is mindful of two fundamental and compelling conclusions within the *Cassells Report*. The first is that higher education has made a 'hugely positive contribution' to Ireland's social and economic development over the past forty years or so; and that it must continue to do so if the country is to realise its ambitions to build and sustain an economy that can compete globally, maintain high employment, and create and maintain a cohesive society. The second is that the contribution of higher education is 'now severely threatened', as a result of the deep financial cuts that have affected the sector since 2008, and the demographic trends that will see a continuing and dramatic rise in higher education enrolment, should participation rates remain unchanged or even fall, over the next decade. THEA accepts both of these positions without reservation.

THEA notes, however, that the detailed analysis and overview of the impact of the recession and funding cuts on higher education outlined in the Cassells Report, did not disaggregate and examine the impact at a sub-sectoral level within higher education. Thus it does not adequately capture the impact of cuts on the technological sector. This can perhaps be best demonstrated by the following graphic (Figure 1) which shows the total funding per student in Institutes of Technology falling below universities/colleges in 2010, and continuing in recent years on a steep downward trajectory, against a more gradual decline and recovery in universities/colleges. As is evident from this graphic, the total funding per student within the technological sector has collapsed by 30% compared to 13% in the university/colleges sector. Had the total funding per student been maintained at 2008 levels, income to the technological sector in 2015 would have been €281m more than is the case.

Figure 1: Total Funding per Student¹

1. Institutes of Technology – Profile and Vision

It is axiomatic that higher education institutions, whether universities or Institutes of Technology, will be at the heart of Ireland's social and economic life into the future. Developed societies around the world recognise the pivotal role of higher education, with its combination of research, scholarship and graduate output as the engine of their economies; as central to providing opportunity to their citizens; and in building more cohesive societies. The institutes have now carved out a distinctive, differentiated role within the overall Irish higher education landscape which sees them making an indispensable contribution to these goals in three main ways:

1. The supply of highly skilled graduates to a growing technological and general STEM based sector in the Irish economy:
 - Annually accounting for approximately 38% of all higher education graduates in the country
 - Responsible for 25,500 graduates in 2014/2015;
2. Driving a research and innovation agenda responding to the needs of regional development, indigenous SMEs and FDI. The 'knowledge in use' or applied research emphasis of the institutes brings them close to industry and close to markets which in the past year resulted in :
 - 823 collaborative research, contract research and consultancy agreements with industry
 - 100 invention/software disclosures
 - 21 new patent applications filed
 - 7 patents granted
 - 52 Licenses, Options and Assignments executed
 - 11 Market Launches in year of products/services based on IOT license

- 13 Spin-outs Established
 - 573 companies supported in incubator in year
 - Research income of €68.5m generated including €5m in industry funded research
 - Participation in 28 Horizon 2020 projects in receipt of €87.9 overall and €9.6m to the Institutes directly
3. Responding proactively to public objectives re: enhancing higher education participation and access:
- 27% of entrants are from targeted socio-economic groups;
 - 18% of full-time entrants are mature students;
 - 32% of students are admitted with a Further Education and Training qualification;
 - 40% of students are pursuing courses at level 6/7 of the NFQ;
 - 56% of new entrants to the sector are in receipt of a grant.

2. The Financial Challenge In Context

From small beginnings in the 1970's the institutes have not only developed as critical to national life in Ireland and to its place on the global stage, but they have continuously redefined and re-imagined their role in the context of an evolving series of challenges and heightened national ambition. Today, after the crisis of recent years they face two interlocking challenges which, if they are not addressed, will erode and ultimately destroy their capacity to fulfil the objectives that the State and the wider society justifiably expects of them. These interlocking factors are chronic underfunding on the one hand and an exponential increase in student demand on the other.

Since the economic crisis of the late 2000s, the funding of higher education has sharply and persistently declined. For the Institutes, between 2008-2015²:

- The State grant fell by 35%
- Student numbers grew by 34%

- Core Staffing levels fell by 12%
- Total income per student contracted by 30% - a steeper decline than that faced by the university and colleges sector (13%)
- Total state income per student contracted by 52% - again a steeper decline than that faced by the university and colleges sector (38%)
- The Academic Staff/Student ratio increased from 12.9 to 17.1 – an increase of 33%

Figure 2: Overview of the Crisis

The reduction in the State's subvention to higher education, the rise in student numbers and the decline in staff numbers have been felt particularly acutely in the technological sector where the options for generating income from non-State sources are limited. It is also the case that one-third of its programmes are in STEM areas which have a heavy reliance on capital investment in areas such as ICT infrastructure, engineering and laboratory fit-out.

Furthermore, third level students often need additional supports to progress and succeed in higher education. Funding cuts have undermined the capacity of the institutes to develop and sustain the additional supports that their student cohort might reasonably expect. One consequence of the funding crisis made visible through the increased staff-student ratio, is that it has adversely affected the transition experience of some of the most vulnerable students, especially on Level 6 and 7 programmes, because inadequate funding has hampered the institutes from increasing their investment in measures to address the problem of non-completion at these levels.

The protracted period of underfunding means the sector as a whole and a significant number of the Institutes are now confronted with a perilous financial scenario:

- The financial position of the Institutes deteriorated between 2008 and 2015 as the sector moved from generating an overall surplus of €40.8m in 2008 to an overall deficit of €2.7m in 2014/15;
- Overall reserves fell from €132.5m to €78.7m wiping out 40% of the finance available to underpin ongoing sustainability;

- Five of the institutes face immediate sustainability challenges, with a further four potentially at risk due to limited reserves and current or projected deficit positions;
- Buildings have become progressively degraded and equipment obsolete after almost ten years of minimal or no investment.

Through the years of the recession, the sector responded to underfunding by cutting staff and non-pay costs, by increasing student numbers and by innovative developments in areas such as part-time and on-line provision and the recruitment of international students. However, without substantial investment, the core purpose and viability of the sector risk being undermined, while ongoing expansion is clearly not possible.

3. Funding Scenarios

In considering the three funding options proposed by Cassells, it should at the outset be pointed out that national objectives regarding higher education participation, combined with the expanding school going population, mean that there will always be a predominant reliance on State funding in higher education. As accepted by Cassells, this will be the case regardless of whichever is the preferred option: respectively €1.26bn (Option One), €997m (Option two) and between €563m and €710m (Option Three).

In responding to the funding options the sector is mindful of national priorities around economic development, social cohesion and equality of opportunity and of the particular role the technological sector plays in these three domains. The sector draws attention in particular to the returns that accrue to a society from universal participation in education in areas such as employment opportunities, health and well-being, reduction in crime levels and enhancement of life opportunities across the generations. In an era of mass participation in higher education, where higher education has become the norm, as is now the case in Ireland, those who fail to access it become the exception rather than the rule.

The sector is of the view that funding Option Three does not align with these considerations. It would present a disincentive for the majority of students in the Institute of Technology student body, as it would involve the transfer of fees which were heretofore carried by the State onto this cohort. In this way, it would further compound existing inequalities in the wider society.

Turning to Options One and Two and reflecting the national priorities around economic development, social cohesion and equality of opportunity, THEA considers that it may now be timely to re-visit the national ambition regarding educational attainment and to

make a commitment to provide free undergraduate education to all who seek it. In this regard it suggests that concerns that once characterised the policy debate on higher education related to the accrual of private benefit as opposed to public benefit no longer apply, certainly at first degree level.

This revised commitment could be approached in a number of ways. It might be decided for instance, that education should be entirely free at the point of entry and exit up to Ordinary Bachelor Degree level (Level 7 on the NFQ) i.e. that no student contribution charge would be levied on students registered on programmes leading to the Higher Certificate (Level 6) and Ordinary Bachelor Degree (Level 7) awards.

Based on student numbers enrolled in Higher Certificate and Ordinary Bachelor Degree programmes in 2014, and the current student contribution of €3,000 per annum, the marginal net cost to the State of this approach is €45.7m per annum:

Table 1: Estimated Net Cost of Free Student Contribution up to Ordinary Bachelor Degree

		Student Contribution	Total Cost	Cost State will incur for 56% accessing grants	Marginal Net Cost to State
Enrolment	34,600	€3,000	€103.8m	€58m	€45.7 m
Enrolment increase by 20%	41,500	€3,000	€124.5m	€70m	€54.8 m

Within this scenario, the €3,000 student contribution would be maintained for all students registering on Honours Bachelor Degree Programmes (Level 8) whether on an *ab initio* basis or as an add on to an Ordinary Bachelor Degree. The existing or future student support mechanisms would apply to all Level 8 students. This approach would be encompassed both by the €1.26bn and €997m (Options One and Two) estimate in additional State Funding by 2030, but would offer a more socially progressive means of allocating the envisaged additional funding.

An even more ambitious approach would see the country providing free third level to Level 8 - Honours Bachelor Degree – programmes. Based on current enrolments of 121,500, this would result in a further additional net marginal cost of €197m per annum.

Option One as proposed by the Cassells Report in effect envisages free undergraduate education for all. The approach outlined here, is a variation on this scenario in that it presents the option of disaggregating the undergraduate population between those who

enter on Level 6/7 routes on the one hand as opposed to Level 8 on the other. It also implicitly disaggregates the student body in higher education as between those in early years and those in the later years, whether undergraduate or post-graduate, suggesting student supports should be front-loaded in the earlier years.

4. Conclusion

This submission draws attention to the acute financial challenge which confronts all higher education in Ireland, but which has a very particular and severe impact on the Institutes of Technology. The disproportionate impact of the cutbacks on this sector, means that in a differentiated system the distinctive and unique contribution of the sector is threatened. Regardless therefore of whichever option in the Cassells Report is chosen, the submission demonstrates:

- a. That a substantial additional State investment is required as a matter of urgency;
- b. The respective sub-sectoral impact of any such intervention must be explicitly addressed.

With regard to the three funding sources identified by Cassells – State, Student and Employer - THEA has presented an option where the State and the employer contribution would be the funding source up to Level 7 with no student contribution applying. With regard to Level 8 and higher, THEA accepts the proposition that private benefit accrues the further one progresses in higher education. Bearing in mind the much greater costs associated with these higher levels, a student contribution therefore, in addition to a State and employer contribution may be appropriate.

In relation to funding options one and two, the Cassells Report estimates an additional €1.26bn and €997m respectively in State funding up to 2030. THEA proposes that the option of frontloading this additional funding to provide free higher education up to Ordinary Bachelor Degree level (NFQ level 7) be actively considered and the implications, especially with regard to likely demand patterns, be explored.

While the debate on the student contribution to the cost of higher education will be an important part of the policy decisions regarding higher education in the future, THEA also re-iterates the existential challenge which nearly a decade of cutbacks have now presented to the technological sector. This challenge, if not addressed in an urgent and comprehensive manner, threatens the immediate and long term future of the sector.

Appendix – Impact of Cutbacks on Student Funding

	2008	2015	Differenc e between 2008 and 2015 total funding per student	Total FTE enrolment 2015	Investment required to return to 2008 funding per student
Total funding Per Student in Institutes of Technology	€11,679	€8,158	€3,521	79,726	€281m