

SUBMISSION REGARDING HIGHER EDUCATION FUNDING

1 INTRODUCTION

1.1 IFUT welcomes the fact that we have been given the opportunity to make a submission to the Working Group charged with examining the issue of funding of higher education.

1.2 The current levels of funding are totally inadequate and, in view especially of the expected increase in student numbers, it is not being alarmist to say that without a radical increase in funding the system faces serious structural damage or even collapse.

1.3 It could be argued that those who work in higher education are actually and counterintuitively doing a disservice to the nation by covering up so valiantly the damage which is already being done to the fabric of higher education.

1.4 Between 2008 and 2012 staff numbers in HEA funded institutions fell from 23,920 to 22,638. When you factor in the rise in student numbers during the same period you get the following figures concerning staff:student ratios.

Year	No. of Academics	No. of Students	Staff:Student Ratio
2008/09	4,795.56	89,650	1:18.7
2009/10	4,543.98	95,061	1:20.9
2010/11	4,426.31	106,448	1:24

1.5 Between 2008 and 2012 recurrent grant allocations to universities and colleges fell by 25%. The largest cuts in recurrent grants were at UCD, which experienced a reduction of over 25%. Other universities also suffered major cuts, including TCD (-22%), UCC (-21%), NUI Maynooth (-18%) and NUIIG (-16%). The recurrent grant to St Patrick's College, Drumcondra was cut by 25% and Mary Immaculate College in Limerick was down 18% in the same four-year period. The budget introduced in 2013 brought a further 7.4% reduction in general recurrent funding levels for the third-level education sector.

1.6 Perhaps it is not surprising therefore that the HEA achieved and **surpassed** the targeted staff reductions set out in the first Employment Control Framework which expired in December 2010 (HEA Annual Report 2011).

1.7 In order to deal with existing budgetary deficits and resulting cuts in State expenditure, higher education institutions have begun to focus on measures involving staff:student ratios, research income metrics, the recruitment of international students and cuts in non-pay budgets. Cuts in expenditure affecting staff:student ratios tend to be blunt measures that are taken with the objective of saving money and educational issues are rarely – if ever – considered in justifying these measures. Typically, reductions in full-time staffing take the form of non-replacement of existing staff on their retirement.

2 THE CURRENT SITUATION

2.1 Funding of Higher Education in OECD countries is generally in the range of 1% to 2% of Gross Domestic Product (GDP). In 2010 Ireland's State funding on higher education stood at 1.6% of GDP. While this clearly does not put us in a leading position, it might be argued that it represents a fair to average placing. Such an analysis would be seriously mistaken.

2.2 It is essential that due regard is had for the numbers of students such funding has to cater for. While it is, undeniably, a good thing that we have, comparatively speaking, very healthy levels of participation in HE, the demand thus created must also be factored in.

2.3 In Ireland almost two-thirds of school-leavers enter higher education before age 23. In 2012 47% of people between the ages of 25-34 had a HE qualification. In fact, the figures are disproportionately in favour of females (53%) compared to males (40%).

2.4 What this means in terms of actual numbers in the Lecture Halls is that in March 2013 we had 165,000 full-time students* and a further 35,000 part-time students* and these numbers are predicted to grow by a further 20% by 2025.

**These number refer only to HEI's funded by the Department of Education.*

2.5 Not surprisingly therefore, public funding **per student** has seen a sharp decline since early 2000's. In fact, in 2012, for the first time in our history and contrary to world-wide norms, the public spend on higher education was less than that for second-level education.

2.6 Unlike the situation in primary and secondary levels, public funding in HE is not tied to student numbers. This partially explains how the funding situation has reached crisis levels so dramatically. It may amount to an exoneration or a

condemnation of successive governments, but the reality is that a failure to engage in pro-active decision-making will lead to shrinkages in HE funding and yet a similar inertia will keep funding of other levels on, give or take, an even keel.

2.7 And the situation is not going to get any better in the future. The Hunt Report calculated that an additional €500m is required in excess of the 2010 figure just to remain at current levels per student.

3 JUST HOW PUBLICLY FUNDED IS HIGHER EDUCATION?

3.1 Most citizens and probably also most politicians are likely to believe that Ireland's Higher Education system is a publicly funded one, simpliciter. That is not the case.

3.2 Current HE funding comes from a variety of sources of which publicly-voted funds is only one. The system also depends for its fragile existence on contributions from individual students (undergraduates and postgraduates), research-related funding from private companies and donations from philanthropists. In fact, the proportion of total funding coming directly from the State is at an all-time low. In some universities more than 50% of their finances comes from private, non-State sources.

3.3 In the period 2005-2008 50% of total capital investment in the sector was from private sources.

4 FRAMING THE CONTEXT FOR TOUGH DECISION-MAKING ON THE FUNDING ISSUE

4.1 Universities and Higher Education Institutions generally exist to serve society. They do this primarily through the discharge of their role as teachers i.e. passers on of knowledge to students who are the inheritors of society's legacies. But it is also vital that academics working in HE should not only pass on existing knowledge but, by their original research, increase the store of that knowledge.

4.2 In short, and in plain language, IFUT accepts that HE is there (and funded) to benefit not those who work, however hard and however indispensably, within the sector. It is there to serve the wider society and it does this by serving students both by teaching and researching.

4.3 It follows, therefore, that if society is to receive its fair dividend from HE, access to HE must be fair and equitable. That access must be based on merit and a

capacity to benefit from higher education. It must not be based on financial status or the ability to pay.

4.4 It is important that we retain an expansive view of the university as an engine for social change and economic self-direction. Central to this is equity of access and opportunity and these values are at risk in current budgetary arrangements. Higher education should remain accessible to all who meet entry qualifications, regardless of their personal circumstances.

4.5 In coming to its recommendations on policy regarding HE funding the Expert Group is, therefore, obliged to ask itself “what will this option do for the quality of our higher education system and will it make access to that quality education fairer or less fair?”

4.6 We will now look at the various funding options in the light of the context as set out above.

5 THE FUNDING OPTIONS

5.1 In stark terms there are only two options; either we increase the level of direct public funding or we mandate the HE Sector to source alternative, non-public, funds from a variety of sources which would include

- Additional contributions (fees) from students.
- Additional revenue by recruiting more students from non-EU countries and charging them “full economic fees”.
- Increasing donations from philanthropists.
- Seeking more support from the Private Sector on a non-philanthropic basis.

We could spend a lot of time analysing the effects of each of these options but, in a submission such as this, it is more appropriate to confine ourselves to brief remarks regarding each.

5.2 Increasing Student Fees/Contributions

5.2.1 Compelling international evidence suggests that this is a very dangerous option in view of the negative effects on participation levels.

5.2.2 A study by Statistics Canada in 2005 looked at the impact of big increases in tuition fees in Ontario compared to the rest of Canada where fees were stable. It concluded that, “enrolment patterns by socio-economic background changed substantially in Ontario, where tuition fees increases were larger”. (<http://www.statcan.gc.ca/pub/11f0019m2005263-eng.pdf>)

5.2.3 A US study found that for every \$US 1,000 increase in fees, low income students were 19% less likely to complete a programme (see Michael B. Paulsen and Edward St. John, “Social Class and College Costs: Examining the Financial Nexus Between College Choice and Persistence,” *The Journal of Higher Education* vol. 73, no. 2, March/April 2002, pp. 189-236).

5.2.4 A UK study from 2011 found a £1,000 increases in fees resulted in a decrease in participation of 3.9 percentage points. (<http://www.ifs.org.uk/wps/wp1117.pdf>)

5.2.5 Referring once again to Canada, a quantitative report by Hugh McKenzie found that substituting tuition fees for public funding will tend to reduce the net transfer from higher-income families to lower-income families; replacing tuition fees with increased public funding will tend to increase the net transfer. In addition, families from low and middle-income groups would lose out if tuition fees were allowed to rise because they are net beneficiaries from funding out of general revenue. Finally, a strategy of raising tuition fees and targeting assistance to the lowest-income families will move the financial obstacles to participation in higher education well into the middle of the income distribution. (http://ocufa.on.ca/assets/tuition_trap.pdf)

5.2.6 Recent policy by the UK government in allowing universities to make dramatic increases in fees has had a hugely negative effect especially on the numbers of part-time students. The number of part-time students in English universities has declined from 25,900 in 2010 to 13,900 today – that is a decline of 46.33% (Higher Education Funding Council for England).

5.2.7 “Right across society we accept the practice of imposing or increasing charges as an instrument to limit demand. We place high excise taxes on cigarettes. Water charges are used to foster economical usage of a scarce resource. Refuse charges are designed to encourage alternative behaviour. Miraculously, however, we are asked to believe that charging for higher education will not discourage anyone.” (*Mike Jennings, IFUT, University Times (TCD), 15 November 2011*)

5.2.8 “These issues are all the more pressing in the current climate as families are struggling to provide financial support to their sons and daughters on entering higher education. Young people themselves face difficulties in securing part-time employment to support their studies. A situation is developing where parents are afraid to take on available work, or work hours that might put them in excess of the income thresholds whereby they would lose grant eligibility for children at third-level. This is not acceptable in a country that promotes education as a key to economic recovery”.

(Dr Marie Clarke, UCD, Presidential Address to IFUT ADC 2013)

5.2.9 It may be argued that the above negative effects can be countered by student grants or loans. We will deal with these questions later in this submission.

5.3 Attracting More International Full Fee Paying Students

5.3.1 Self-evidently, there is a limit to the numbers of international students any university can take so the idea of this option as a panacea is a fallacy.

5.3.2 In any event such students are not fools. They will only invest big money in fees in a foreign country if they know that the education they receive will be world-class. International students, like all atypical cohorts, require, and deserve, extra attention and resources. They have additional needs and demands which must be met and paid for.

5.4 Increasing Donations from Philanthropists

5.4.1 Since philanthropy by definition is voluntary it follows that it cannot be a dependable source of income.

5.4.2 Without straying into the concerns expressed in Section 5.5 below, it is also no harm to mention that philanthropy is not quite the same thing as altruism. Philanthropy is defined as “the desire to promote the welfare of others” whereas altruism is defined as “**selfless** concern for the well-being of others”.

5.4.3 In both cases the donor does clearly get to make the decision as to what is the “welfare” which is being promoted. While “add ons” and occasional donations may be welcome, shouldn’t we reserve it to more accountable authorities to decide between competing definitions of “welfare” or “well-being”?

5.5 Private Sector Investment

5.5.1 An evaluation of the reliance which should be placed on this kind of funding will be based upon whether one believes that there **is** such a thing as a free lunch.

5.5.2 Ireland has already been criticised internationally for its over-concentration on short-term perspectives in research. It is quite reasonable for a private company to seek to harness the resources of higher education to assist in their R+D on a profit motivation basis. Provided it is transparent (which it isn't always) and provided that it does not impinge upon research into more esoteric areas (much less likely to be the case), then such funding on a top-up, windfall basis is not grubby.

5.5.3 There is a true story about a Nobel Laureate in Copenhagen who was being praised by his university head for bringing credit to the university and adding to its standing and reputation. The praise back-fired when the Nobel Laureate pointed out that if his university's current policy of supporting only "relevant" and "employment related" research were in place at the time when he did his ground-breaking work, he would have had to desist because the work was then so pioneering that few, if any, could see its economic potential.

5.5.4 "At a time of great scarcity it may be no surprise that certain universities in Ireland are, for the purposes of hiring and promoting academic staff, putting at least as much emphasis on fundraising skills as excellence in teaching or research. This raises the question of whether future generations of students are more likely to be taught by expert scholars skilled at imparting knowledge than by schmoozers who can induce big companies to get their cheque books out."

(Mike Jennings, IFUT, Article for Education Matters 2014)

5.6 Sherlock Holmes (or Sir Arthur Conan Doyle) is credited with the wise observation which, in paraphrase, says that when you dismiss/discredit all other options the remaining option becomes obvious.

5.7 The remaining option is **public funding**. The implications of all that is written above is that increasing the level of public funding for higher education is an imperative. How this might be done is addressed in Section 7 below.

6 SUPPORT FOR STUDENTS IN A HIGH FEES ENVIRONMENT

6.1 If our policy is to be to derive more HE funding from fees or “registration charges” (“A rose by any other name...”) and if we wish to limit the consequent fall in participation levels then, it seems, there is a need for some compensating measures. The most commonly cited supposed “remedies” are student grants, student loans and a “graduate tax”. All are problematical.

6.2 Such policy instruments carry the message – which IFUT and most educators reject – that education is a commodity to be bought, albeit that some people will be assisted in the purchase of it and others will get it on a deferred payment basis.

6.3 Student Grants

6.3.1 Isn't there an illogicality and a futility around the idea of saving public funds by not investing in higher education while at the same time spending money in an inadequate attempt to compensate for this policy?

6.3.2 This is what Dr Marie Clarke had to say regarding grants in her Presidential address to the IFUT ADC in May 2013.

“The research evidence indicates that the proportions of young people in receipt of student grants varies considerably across different socio-economic groups, particularly across employee and self-employed groups. The value of grant payments has also declined over time (*McCoy et al, 2010*). The reduction of 3% in the rates of grants announced in Budget 2012 was implemented for all existing and new student grant holders from January 2012. The decline in grant eligibility by students from lower non-manual backgrounds, such as personal services, sales and clerical workers, is particularly striking (*McGuinness et al, 2012*). These groups are also likely to be at the margins of the income thresholds in relation to any fee exemptions.”

6.4 Student Loans

6.4.1 Of all the “solutions” to the challenge of maintaining participation levels while charging for tuition, the issue of loans probably more than any other has an immediate superficial appeal which wilts dramatically under even the most cursory scrutiny.

6.4.2 Firstly, there is no immediate or even medium-term saving of public funds (surely the reason we are examining this issue so intensively **now** is because it is now that the State coffers are empty).

6.4.3 For a country with a tradition of emigration do we really need one more incentive for people to go away after graduating and to stay away?

6.4.4 Unless you can count it as an employment creation measure, can anyone really justify the massive administrative burden of managing a loan scheme as opposed to simply making an annual once-off block grant to each HEI?

6.4.5 In Australia though some (in other countries) naively believe that the loan system is working, the government plans to increase charges up to commercial rates of interest with all of the attendant hardship and disincentive that this would imply. This is what the National Tertiary Education Union in Australia has to say about these proposed changes and accompanying proposals to increase fees.

“Worst of all will be increased length of time it will take for students to pay back their loans – while that same degree right now will be paid-off in 10 years, should the new changes come in, it will take over 23 years for a student to pay it off and will include an extra \$24,000 in interest (taking it up to a total of \$99,000). The figures are worse for women, who are impacted by lower graduate earnings, gender pay equity gaps and breaks in their working career due to carer obligations.”

(Letter from NTEU to IFUT, 17 July 2014)

6.4.6 Commenting on recent changes in England the University and Colleges Union (UCU) has said

“In previous years most graduates hoped to pay off all their debts by their late thirties, whereas future students will continue paying their student loans until their early fifties. This is likely to coincide with a period in one’s life when family and mortgage costs remain relatively high”.

(Letter from UCU to IFUT, 8 July 2014)

6.4.7 Addressing the separate issue of loan defaults UCU has informed IFUT as follows:

“Despite the worrying scenarios, the authors of the IFS [Institute for Fiscal Studies] report estimate that **almost three-quarters of these graduates would not repay their loans in full**, more than double their projected rate under the old system! One of the reasons for this is the higher repayment threshold (£25,000 compared to £15,000 under the old system). Consequently, a second IFS report found that the new English fee regime will do little to reduce the overall taxpayer contribution per student. For example, the authors estimate that it will be just 5% less than it was under the old system (around £1,250 per student in 2014 prices). Of course, these calculations depend heavily on what happens to graduate earnings over the coming decades and so the figures may shift accordingly. However, what is undeniable is that this radical shift towards greater cost sharing has led to increased financial uncertainty in the system.”

(UCU letter to IFUT, 8 July 2014)

6.4.8 It is not just the Institute for Fiscal Studies and the UCU which is drawing attention to the question of loan defaults. On 10 April 2014 Katherine Sellgren, BBC News Education Reporter wrote:

“Most students will still be paying back loans from their university days in their 40’s and 50’s, and many will never clear the debt, research found. Almost three-quarters of graduates from England will have at least some of their loan written off, the study, commissioned by the Sutton Trust, says”.

6.4.9 A separate report from the BBC, this time by Patrick Howse on 14 February 2014 said

“The government is likely to be underestimating the value of student loans that will never be paid back, an influential committee of MPs says.

The Public Accounts Committee reports that there is currently £46bn of outstanding student debts on the government’s books, set to rise to £200bn by 2042.

The government currently assumes that between 35% and 40% of that debt will never be paid back.

In its report the PAC thinks even that figure might be overly optimistic.”

6.5 A GRADUATE TAX

6.5.1 There are two approaches one could legitimately take to the notion of a graduate tax. The first is to say that we already have it. The alternative view is that the proposed graduate tax is, in fact, not a tax at all but merely a loan repayment scheme dressed up in more progressive sounding language.

6.5.2. So is it a genuine taxation measure or merely a loan scheme in disguise?

6.5.3 The hallmark of a legitimate tax, (as opposed to, say, confiscation, seizure or sequestration) is that it is rule based and that the rule is fairly and impartially applied using objective standards. Can this be said of a system which, in all likelihood, could allow for numerous anomalies such as;

- Two people, each earning €80,000 per year. One is a graduate and only began to earn a salary 5/7 years after leaving second level education. The second is a successful business person in a senior position in the family business where he has been employed on a good salary since the summer of his Leaving Certificate. Only one of them is liable to extra taxation, the other is not.
- Two graduates have a huge disparity in income. The first earns €250,000 per year as a stockbroker having done a degree in Business Studies. The second earns €65,000 per year as a social worker in a deprived inner city community, having graduated in Social Sciences. They are both liable to the same taxation demand.

Readers may wish to construct their own preferred scenarios using a cast of creative writers, property speculators, artists, doctors, teachers, lawyers, tabloid journalists, physio therapists etc etc.

6.5.4 Do we not have a graduate tax already?

6.5.5 For all its faults, our current taxation system is, at least nominally, based on the premise that the more you earn the more you are liable to pay.

6.5.6 It is absolutely true, as proven by studies in the USA, UK and numerous other jurisdictions, that having the benefit of Higher Education does make it almost certain that one will have higher lifetime earnings than a comparator having had no experience of Higher Education. If our taxation system needs to be fine-tuned to ensure that the principle that “the more you earn the more you pay” is delivered upon in reality, would that not be “a graduate tax” with all of its positive aspects and none (or almost none) of the anomalous and unfair scenarios listed above?

6.5.7 Simply stated; if one earns more because one has had the benefit of Higher Education one should, and, in current circumstances can be expected to, pay more tax. Why such a demand for higher taxation should be confined to those whose well-being is due in part to having had an education and not include those whose well-being has other origins (including inheritance, good fortune etc) is not at all clear.

7 PUBLIC FUNDING OF HIGHER EDUCATION

7.1 As stated in paragraph 5.6 above when you dispense with all other options the last option(s) remaining must be where you find your solution. IFUT has consistently advocated for education to be a social right, not a commodity, which should be free at the point of delivery. A selection of resolutions on this topic passed at numerous Annual Delegate Conferences is attached as an appendix to this submission.

7.2 In 2009 our resolution on the financial crisis facing higher education which was passed unanimously by our ADC stated, in part:

“IFUT joins with our Teacher Union colleagues together with the wider trade union movement in Ireland and internationally in calling for education to remain free at the point of delivery. At the same time we are open to examining funding models which protect our higher education system without

damaging its ethos or adversely affecting participation levels which remain at unacceptable levels”.

7.3 In 2010 delegates backed a resolution suggesting that a set percentage of corporate taxes be ring-fenced for higher education. The full text of the resolution was as follows:

“University Funding

This ADC mandates the Executive to continue to highlight the underfunding of our universities and higher education generally.

We note that universities are more and more forced to rely on private funding and the recent controversy regarding so-called grade inflation illustrates that private companies will not hesitate to use their influence to interfere in academic affairs.

If private businesses genuinely wish to assist financially in the funding of higher education without interfering with the integrity of academic standards or diluting Academic Freedom, they could demonstrate their good intentions by asking for a set percentage of corporate taxes to be ring-fenced for higher education.”

7.4 IFUT’s position is supported internationally. In 2010 a report published by the University and College Union (UCU) proposed raising the levels of corporation tax in the UK to the G7 Countries’ average to raise enough money to abolish all university tuition fees. In a commentary which will resonate in Ireland given our low rate of corporation taxes, UCU said the move would still leave the UK’s main corporation tax below that of France, Japan and the USA and that 96% of companies in the UK would be unaffected by the change.

7.5 UCU refers to its proposal as a Business Education Tax (BET) which it says is “the first coherent attempt at making business pay its way for the numerous benefits its get from UK higher education”.

7.6 Reacting to UCU’s proposal Mr Neal Lawson, the Chair of Compass said “if it is businesses that benefit from the growth in supply of graduates, then it is businesses that should pay for HE expansion”.

8 CONCLUSION

- 8.1** Expanding access to Higher Education is not just a Citizen's Rights issue, it is an economic investment which pays rich dividends to society in general. The Irish experience of the economic effects of abolishing charges for Secondary Education bears this out as do numerous economic studies world wide.
- 8.2** Investing in education needs to be seen as precisely that – an investment and a very wise one. We should regard it as an imperative in the same way that we regard investment in capital projects.
- 8.3** There are many superficially attractive alternatives to public funding. This submission lists some of the most obvious flaws in the arguments in favour of such options.
- 8.4** Finland is a country that is regularly cited as a fine example of successful education policy and delivery. It is worth noting that when Finland faced its greatest economic crisis (at the time of the collapse of the Soviet Union) the government's response, inter alia, was to increase investment in Education.
- 8.5** Ireland needs a similar visionary approach to our crisis.

ADDENDUM

The Example of Germany

1. Those who support the idea of imposing tuition fees upon students often couch their analysis in language which implies that this is the only “adult” or “realistic” option and that notions such as “free on the point of delivery for the benefit of society” are utopian, naive or otherwise unrealistic.
2. Germany is an uncomfortable example for such people. Few would characterise German economic policy as naive, utopian or in any way unrealistic or airy-fairy. So the following facts deserve to be influential and noted carefully.
3. From 2006 onwards, German federal states began to introduce tuition fees in Higher Education. Yet by the end of this year (2014) this policy will have been totally abandoned and no state will retain such fees.
4. Should we not take serious note of such developments and add in an analysis of the successful Scandinavian economies which never departed from a free access policy?

(This document was endorsed by the Executive of the Irish Federation of University Teachers on September 4, 2014).