

# **Proposed Exchequer-Employer Investment Mechanism for Higher Education and Further Education and Training - Views of the Technological Higher Education Association (THEA)**

## **Introduction**

THEA welcomes the publication of the Consultation Paper by the Minister for Education and Skills and the Minister for Public Expenditure and Reform on a proposed Exchequer-Employer Investment Mechanism for Higher Education and Further Education and Training, and specifically on a proposed incremental annual increase of 0.1% in the National Training Fund levy to increase it from 0.7% to 1% in the three year period to 2020. THEA notes that the proposal is addressed directly to employers, and that its predominant concern is to make the case to employers, and secure their support for, increased investment in tertiary education, including making a contribution to the funding of higher education, as part of a broader strategy to establish a sustainable funding model for higher education in line with the findings and recommendations in *Investing in National Ambition: A Strategy for Funding Higher Education. Report of the Expert Group on Future Funding for Higher Education* [hereafter *Cassells Report*]. On the basis that the consultation is addressed directly to employers, THEA offers the following general observations as a stakeholder in higher education, and specifically as the representative body of the fourteen institutes of technology.

## **General Observations**

The Consultation Paper makes a well-reasoned, evidence-based and ultimately persuasive case for an increased contribution from employers towards the funding of tertiary education; on the grounds that FET and HE are cornerstones in a national infrastructure concerned with developing Ireland's human capital to increase national competitiveness, and thereby ensuring the country's economic and social progress. It also articulates clearly the direct contribution that tertiary education makes to initial education and training for those entering the labour market, and its key role in helping those who are unemployed or already in employment to reskill and upskill in a labour market that has rapidly and ever changing needs. The Consultation Paper also demonstrates the real productivity gains that a graduate workforce brings to business and enterprise. In summary, business and enterprise derive real and significant benefits from the education and training system, and it is thus reasonable that it should not only make a contribution to the funding of tertiary education, but should do so in a way that contributes tangibly to the establishment of sustainable funding model, particularly in relation to higher education; which has suffered an unprecedented funding crisis in the wake of the economic crash of the late 2000s, and which hitherto has not been a direct beneficiary of the main, existing, employer funding contribution to education and training (the NTF levy).

While the case for an increased contribution from employers is indisputable, the merit of the proposal that this should be achieved through an incremental increase in the NTF levy to

raise it from 0.7% to 1.0% by 2020 is more contentious. THEA has heard business interests articulate a real fear, particularly in the BREXIT era, that such a change would have an adverse impact on the cost bases of indigenous SMEs, which are generally labour intensive enterprises and operate on tight profit margins. While THEA recognises that there may be an element of special pleading in this position, it would be important to undertake a rigorous modelling of the impact of a raised NTF levy on the SME sector, with a view to identifying and communicating whether these fears are well founded or not. Perhaps, too, consideration should be given to the possibility of having a graduated system of NTF levy, based on the size of businesses, their profit margins and their capacity to absorb the projected costs of an increased levy.

There are also other issues pertaining to the National Training Fund that may need to be considered and addressed ahead of the proposed, increased levy. Hitherto, the administration and disbursement of funds from the NTF has not been well communicated or understood. In this connection, the information provided in the Consultation Paper section IV is a welcome first step, as it provides basic information on the use of the NTF for the funding of FET, side by side with direct Exchequer funding of the sector. Nevertheless, concerns around transparency are still prevalent and may need to be alleviated if support for an increased levy is to be garnered. Furthermore, there are also other, apparent anomalies with the NTF that require further explanation as part of the consensus building process. For example, there is a lack of understanding amongst stakeholders as to why the EU fiscal rules do not permit the existing surplus in the fund to be used for education and training purposes, and how this would be avoided in the context of increasing the fund. It is also unclear why the funding of the HE component of the existing apprenticeships, as provided by the institutes of technology, is funded through the main HE Exchequer grant and not through the NTF. Given these issues and concerns, it is commendable that the Consultation Paper also asks the question of business and enterprise as to whether there are 'alternative models' for employer contributions to the funding of education and training 'of the scale required to deliver the same result in a more effective manner' (p. 32). This is an issue that has not been widely discussed hitherto and might be explored fruitfully, in the absence of social partnership structures, through the new National Skills Council and Regional Skills Fora, or through discussions of stakeholders co-ordinated by the Departments of Education and Skills and Public Expenditure and Reform.

The discussion in the Consultation Paper on developing and agreeing a mechanism for an increased employer contribution to the funding of tertiary education raises a broader issue concerning the building of a consensus around the establishment of a sustainable funding model for, in particular, higher education. It is implied throughout the Consultation Paper that there is an emerging consensus, upheld by all the main stakeholders, on this new funding model, which will comprise three elements: a contribution from employers, through an increase in the NTF levy; a student contribution, administered through an income contingent student loan scheme; and an (increased) contribution from the State. While this proposed funding model is certainly consistent with some of the recommendations in the *Cassells Report*, it is not readily apparent that there is an established consensus amongst the key

stakeholders that this model, in all its aspects, provides the solution to the future funding of higher education in Ireland. THEA, for its part, has articulated concerns about the feasibility of a proposed student contribution grounded upon an income-contingent loans scheme, and remains to be convinced that it is the best way to proceed. In this connection, THEA welcomes the fact, as enunciated in the Consultation Paper, that technical work will be undertaken on an income contingent student loan scheme by an inter-departmental group in order to inform policy options on funding. THEA looks forward to the outcomes of this work and to contributing to the discussion and analysis around them.

It is not the case, however, that THEA is alone in questioning some aspects of the consensus on the future funding of higher education implicit within the Consultation Paper on the proposed Exchequer-Employer Investment mechanism. Indeed, with regard to the main proposal in the Consultation Paper, IBEC has already indicated that it ‘has some concerns with the proposed [NTF] levy increase as currently proposed, including the lack of visibility on how the fund is allocated and how an increase in the levy can result in a targeted benefit for each employer who contributes’.<sup>1</sup> It is evident from this that there is still some work to be done to realise the desired consensus on the future funding of higher education. THEA is of the view that there may be a need for some kind of forum, involving the key stakeholders (e.g. the universities, the institutes of technology, business interests, students and their parents, government departments and state agencies) to discuss and build a consensus on the future funding model, rather than assuming that it is already there. The *Cassells Report* presented the options for a future funding model. There may now be a need to establish an implementation forum that builds the necessary consensus amongst the key stakeholders and which can run in parallel with and inform the political process in the Oireachtas. Such a forum could also usefully serve as a high level vehicle for considering how higher education providers can best meet the needs of employers in return for increased investment in the sector. It is predictable that a proposal for an increase in the NTF will attract a request for closer governance of the fund. This too might be discussed at the proposed forum but any such governance must be focused and be proportionate to the overall expenditure on higher education and must also be cognisant of the particular needs of the regions.

## **Conclusion**

In conclusion, THEA reiterates its welcome for the publication of the Consultation Paper on the Exchequer-Employment Investment mechanism for tertiary education. It is an important contribution to the formulation of policy on the future funding of tertiary education generally, and higher education in particular. THEA looks forward to collaborating with all stakeholders in building a consensus on the future funding model and would propose that a forum of key stakeholders might be established to work towards building such a consensus in reality.

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<sup>1</sup> IBEC Agenda April 2017:  
<http://agenda.ibec.ie/1w72l6v8lzh110p7qu4e3y?email=true&a=2&p=51687093&t=28687519>