



The Third Way

A Fine Gael Green Paper on Reform of Higher Education

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Fine Gael Green Paper on Higher Education

1.0 Introduction

The debate surrounding third level reform has intensified in recent months. It has focused primarily on the funding aspect of the system and has not considered the wider potential for reform in the sector. Fine Gael has put forward this Green Paper on Higher Education in a wider context. The budgetary challenges facing the country mean that a new and sustainable approach to the funding of higher education must be found. However, we believe a new means of funding higher education can only be successful when the entire sector faces genuine reform. The challenges facing the third level sector include, but are not only about funding. We believe that more needs to be done.

A radical rethink of the entire third level sector is both appropriate and necessary to modernise the system. This Green Paper on Higher Education will outline a number of key reforms, standards and goals which should be met by the third level sector in order to bring about real reform and encourage excellence at third level. On the basis that these criteria are met, Fine Gael puts forward a new funding mechanism which could be introduced to further support the pursuit of excellence within the system, while guaranteeing value for money.

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2.0 Overview of Third Level Sector

There are currently seven universities and fourteen Institutes of Technology (IoTs) in the third level sector. Both sectors have distinctive roles and goals, although the boundaries between them have become somewhat blurred. Recently there has been some effort on the part of IoTs to move towards university status.

The abolition of fees by the Rainbow Government in the mid 1990s achieved its primary purpose. Levels of participation soared. While there is still a considerable way to go to achieve balanced participation across all socio demographic groups, it is undeniable that huge progress has been made. In 1998 the overall participation rate in higher education was 44%. By 2004 it had risen to 55%. The Higher Education Authority (HEA) estimates that in 2007 participation rose to 64%. A target of 65% has been set by the National Access Plan for 2013 and Government has set an overall participation target at third level at 72% of school leavers by 2020.

The number enrolled in universities in 2007/2008 including fulltime and part-time students was 103,551 (source: HEA). The number of fulltime students enrolled in Institutes of Technology for 2007/2008 was 66,754. The split between undergraduate and postgraduate students is shown in the table below.

Enrolment Figures 07/08 for the University Sector

Course	07/08 Figures
Undergraduate Full time	70,464
Undergraduate Part time	8,016
Total Undergraduate	78,480
Postgraduate Full time	16,569
Postgraduate Part time	8,502
Total Post Graduate Enrolment	25,071
Overall Enrolment	103,551

Enrolment Figures 07/08 for the Institute of Technology Sector

Course	07/08 Figures
Undergraduate Full time	49,048
Undergraduate Part time	12,997
Total Undergraduate	62,045
Postgraduate Full time	2,238
Postgraduate Part time	2,471
Total Post Graduate Enrolment	4,709
Overall Enrolment	66,754

2.1 Current Third Level Funding

Ireland currently spends 1.2% of GDP on tertiary education, below the OECD average of 1.5%. Approximately €1.9bn was invested in the third level sector in 2008, and the allocation for 2009 is unchanged. The capital investment budget for third level for 2009 is €265m. €1,355m has been allocated in grants towards current expenditure and fees across the entire Higher Education Sector. *Education at a Glance 2008*, published by the OECD in September 2008 advocated the need for expansion of resources in third level education in Ireland generally to meet demands from students but also growing demand among enterprises for highly skilled graduates.

Third level institutions in Ireland are funded primarily through four separate mechanisms;

The primary source of funding is comprised of a *core block grant* and a *separate grant* in lieu of fees. In 2008, universities received a total of €830.7m through this grant and it is the key source of revenue and income for the third level sector. Institutes of Technology received a total of €525m in recurrent funding in 2007. (Source: Department of Education and Science).

Additional funding is provided through *The Programme for Research in Third Level Institutions (PRTLII)*. This funding is a combination of Exchequer and private funding. A total of €865.7m has been provided to date through the PRTLII since 2000 (Source: HEA). This is a relatively new source of revenue and is one of the reasons why research has become a key area of focus and activity for the sector.

The Strategic Innovation Fund (SIF) also provides some funding for the sector. SIF is a multi-annual fund, amounting to €510 million over the period 2006 – 2013, which is directed towards support for innovation in higher education institutions. In 2006, €42m was delivered under SIF and a further €97m was announced in February 2008 but delivery has been delayed (Source: HEA).

Student Registration Fees paid by students at the start of each academic year provide up to €173m across all Colleges. This funding is used to finance examination costs and to support student services.

In terms of the Cost per Unit of undergraduate courses, accurate up to date data on current unit costs are not available. However, the HEA indicate 2002-2003 unit costs inflated to 2008-2009 levels, suggest fees range from €9,446 for an Arts course to €38,621 for Dentistry.

Estimated Undergraduate Unit Costs Per Annum for Universities 2008/2009	
(Source: HEA)	
Arts	€9,446
Business	€8,688
Science	€13,615
Engineering	€14,247
Medicine	€12,675
Dentistry	€38,621
Veterinary	€28,844
Part-time Arts	€5,717
Part-time Science	€7,344
Nursing	€7,451

2.2 The Strategic Challenges Facing the Sector.

The third level sector is challenged for a number of different reasons:

The sector has globalised. No longer is it sufficient to think of a third level institution in an Irish context. Not only have students the choice and option of studying elsewhere, the institutions are competing for resources across borders. They therefore need to be reviewed and assessed in a continental or global context. Many of the peer third level institutions in the United Kingdom and the USA for example, receive additional funding through endowment programmes or through international research programmes. It is no longer a choice simply between UCD versus Trinity, for example in a Dublin context. It is about Ireland versus the United States and the United Kingdom. Research and research funding will play a key role in driving the third level sector in particular and the economy generally. From the perspective of international competitiveness Ireland needs to possess a sector capable of winning international research programme funding.

Quality and excellence at third level is critical to competitively positioning Ireland globally. As the recent National Competitiveness Council Statement on Education and Training points out, education is at the heart of the national imperative to restore competitiveness. Ireland's competitive advantage is being eroded as other countries in Europe and Asia develop significant education programmes. Restoration of this competitive advantage through the pursuit of the highest standards of excellence and quality of output at third level is fundamental to the next phase of Irish economic development. If we are to progress, we need the research capability and the calibre of graduates to turn research into commercial reality.

The core grant (referred to in Section 2.1) has neither kept up with education inflation nor the increased number of undergraduate students participating. According to many third level institutions it is insufficient to take account of the requirements of the number of students taking courses. While the funding level for third level has risen, the majority of the increased expenditure on third level has been invested in postgraduate and research funding. The per capita income has not increased with the rapid increase in participation levels. The system is under funded and is buckling under the pressure of a significantly increased student population during the past two decades. In addition, funding for building and maintenance is unpredictable, so routine or non routine capital expenditure is difficult to achieve without philanthropy.

Specialisation is critical to success. Third level institutions will have to move from a catchall education model to specialities. Nationally, there may be a need for Government and its agencies to support the rationalisation of activities between institutions - so that different institutions acquire different levels of scale in defined activities.

2.3 The Funding Challenge Facing the Sector

In the context of these challenges, there is a requirement from the sector for:

1. A level of funding that operates at a different scale than currently available.
2. A predictable level of funding into the future.
3. A level of funding that is not solely dependent on the State – and subject to the vagaries of Government budgetary regimes and pressures.

From a student and societal perspective, there is a requirement to incentivise study and to keep barriers to entry to an absolute minimum. Despite the fiscal challenges that we face as a country, it is simply unacceptable to reverse the progress on participation that has been made in the past decade. Given the priority accorded to the knowledge economy, we need also to review postgraduate funding and part-time funding models.

The university sector claims that universities are operating at a cumulative current budget deficit of €40-€50 million and while some individual universities did not operate at a deficit in 2008, the majority will do so this year. The pressures during 2009 are more intense than ever. The primary reason for this deficit is that funding per student has been eroded over the past decade. Although the overall level of funding for universities has increased, the core grant has not increased at a proportional rate to the growth in student numbers, and so, this has resulted in a significant drop in resources per student.

The funding situation is further diluted or misrepresented by the expansion of PhD numbers in the last number of years. The most recent data shows total PhD numbers rose from 808 in 2005 to over 1,000 in 2007. Government has set a target of producing in excess of 1,300 PhD graduates annually by 2013. As the combined resources allocated to third level of core funding and research funding gives the appearance that the sector is receiving vastly increased levels of financial support when in reality the main boost in finance is going towards increased levels of research.

The Government has to date failed to give any clear view on what new funding arrangement is required for higher education. This is likely to happen over the next couple of months in an attempt to address the shortfall of funding in the sector. Given the state of the national finances, the changes proposed are likely to be severe.

Government's lack of innovation on many of these issues means there is a serious danger that they will simply inflict fees on students solely for the purpose of eliminating a current budgetary shortfall for the sector. That will do nothing to reposition the sector in a competitive international context. It will not deal with the immediate challenge of change that is obvious to the sector. Any revenue change programme that is put in place must also address the fundamental structural changes needed in the sector.

3.0 Developing a 21st Century Third Level Sector

There has been significant change in the sector over the past fifteen years. The challenge of change is constant, however and in addition to the strategic challenges that have been identified, there are some immediate issues that need to be addressed.

3.1 *Grade Inflation and Overall Standards*

One of the core areas of activity, of all institutions has to continue to be undergraduate teaching. There needs to be a renewed focus on the overall quality of undergraduate teaching and course content. The recent introduction of new funding streams for research, allocated on the basis of competition within the sector, has placed greater focus in the sector on the level of research undertaken and the output achieved. This focus needs to be addressed, as do issues surrounding perceived grade inflation and concerns surrounding a slip in academic standards. Commentary from numerous CEOs of multinational organisations indicate that at the very minimum standards are slipping in Ireland relative to other countries. Most recently Google abandoned plans for 100 software engineering jobs in Dublin because it could not find enough qualified candidates here and the Managing Director of Irish technology firm Havok, David O'Meara warned that Ireland is not producing enough maths or computer science graduates at the highest level.

3.2 *Access*

Given the scale of taxpayer support for the sector, it is a fundamental principle that access to third level is based primarily on ability. While progress has been made, there continues to be a real need to improve levels of access to third level education for those from weaker socio-economic backgrounds. Currently, the Higher Education Access Route (HEAR) operates in some higher education institutions and reserves a certain number of places for disadvantaged students. However, the system is limited. In 2007, only 821 places were provided through the system (less than 1% of the total) and since 2005, a total of 2388 places were provided through the scheme in total. (Source: HEA)

3.3 Accountability

Third level institutions are now huge organisations with massive budgets and resources under their management. As organisations they are among the biggest in the country regardless of sector. Ireland operates one of the most autonomous models of third level education internationally. This is to be valued and retained. Greater transparency is needed within the sector in order to allay public concerns regarding waste and to ensure the best possible use of resources.

3.4 Departmental Focus

Currently the Department of Education's main focus is on the primary and secondary school levels, while third level education is an ancillary consideration. It is Fine Gael's view that the third level sector is not receiving the level of policy attention necessary to develop it to its full potential.

3.5 Participation Rates/Third Level Options

The Government's target of participation rates of 72% by 2020 has been proposed without any real analysis of whether this is achievable or not. We have to move away from the current obsession with numbers attending towards an improved quality outcome for students from the system. Not everyone has to go to college. However, clear alternatives, achieved by a more diverse and well funded Further Education sector will give people the choice to achieve their potential through participation in higher education.

3.6 Labour Demand/Specific Focus for Universities

It is Fine Gael's view that third level institutions currently do not engage to the extent that they need to with the business sector in considering the best possible way to feed the labour demands of the economy with well qualified and suitably skilled graduates. There is potential for both universities and IoTs to work more effectively with industry and society, to continue to develop and mould education policy to fit with the constantly changing economic environment, without restricting the level of study choices available to students or threatening the continuation of academic disciplines such as the humanities.

3.7 Student Support Services

The quality and level of supports available to students must be enhanced. These include improving contact hours, the availability of medical, counselling and library services, the quality of IT and laboratory facilities and other services.

3.8 Lifelong Learning

A coherent and focused approach to encouraging lifelong learning is vital in the current economic climate. Ireland's levels of adult participation in ongoing training and learning are extremely poor when compared with other countries (Approximately 8% compared to the EU average of 12% and rate of 25% in Scandinavia). This figure is likely to rise significantly within a short period of time due to the consistently rising levels of unemployment. However, Ireland's third level system is ill-equipped to deal with the flexible approach necessary to provide for such levels of training.

4.0 Proposals for Reform

Fine Gael believes that a vibrant world class third level sector is critical for Ireland and fundamental to our societal and economic success into the future. We are some way from that goal. To get there we need reform in a number of key areas. Fine Gael acknowledges that the Irish third level system is one of the most autonomous of its kind. Our reforms are not intended to jeopardise that autonomy, but we do however want to signal to the sector that reform is essential and a new way of doing business must be deployed.

4.1 *Quality and Outcomes*

Quality and outcomes for the student are the most important measures of success. There is a need to move quality assurance in the sector away from the current box ticking exercise and towards a rigorous assessment of international best standards. The Bologna Process is working at a European level to encourage modernisation of the third level sector, to encourage greater levels of quality across the European Union while also favouring academic freedom. The aim of the process is to work towards a system of greater mobility and comparability internationally. In order to prepare for this process, quality assurance procedures currently in place need to be reviewed and improved.

Fine Gael Proposes:

- *We propose an integrated qualifications and quality assurance body should be established, bringing together the agencies currently involved in awarding qualifications and measuring quality in the sector; NQAI, HETAC, FETAC, HEA and IUQB.*
- *This body should introduce a national assessment process for graduates, comparing outcomes on a national scale and providing a means of comparing performance of individual universities. This process would also signal where grade inflation is occurring and provide an incentive for institutions to tackle this issue, in order to avoid damage to their reputation.*

Fine Gael Proposes:

- *A rigorous independent quality control programme should be introduced by this agency, measuring the value of course content, teaching performance and research output within every institution across the country*
- *The Agency should routinely survey the student population directly to measure satisfaction rates and areas in need of improvement*
- *We need to identify peer institutions internationally for each of the third level institutions in Ireland. We need to benchmark the performance of each institution against its international peer group on an annual basis – setting targets, rewarding above average performance and encouraging collaboration with like-minded institutions.*

4.2 Access

Fine Gael requires a radical improvement in participation of students from weaker socio economic backgrounds and an improvement in how they are supported at third level.

Fine Gael Proposes:

- *The current maintenance grant system is inadequate both in terms of the level of support it provides to students and in the way in which it is administered. We suggest a review of the system should be undertaken within six months to estimate what level of increase in the maintenance grant may be necessary coupled with proposals for a more equitable, transparent and less bureaucratic system, administered by a single body.*

Fine Gael Proposes:

- *The HEAR programme should be reviewed, increasing the number of places available, ensuring all third level institutions produce an access programme which sets out achievable targets and link the number of places available to students with levels of funding received.*

- *The introduction of an effective mentoring system to ensure completion rates for disadvantaged students are enhanced and measured. In particular drop out rates in each course and college in first year need to be reviewed. Transition programmes from second to third level need to be introduced in every institution. An attitude of sink or swim is no longer good enough. In general terms there is a need to introduce greater links between the secondary sector and third level institutions; an access programme for transition year and Leaving Cert Cycle students to laboratory facilities and other facilities should be consistently made available across all third level institutions to expose students to the third level system while also encouraging diversity in their subject choice at second level.*

- *The challenge of access is not one solely linked to third level. Issues of access and exclusion start at primary level. The second level system is in need of a complete review (beyond the scope of this paper) in order to overcome issues regarding access to third level for students from disadvantaged backgrounds and problems with take up of subjects needed to provide the basis for study of courses at third level.*

- *Low income earners are deterred from going to third level as the Back to Education Allowance is restricted to people recently in receipt of social welfare benefits. We propose broadening the scope of the Back to Education Allowance (BTEA) to include low income earners.*

Fine Gael Proposes:

- *Part-time education – There is an issue surrounding equality of access for part-time students engaging in third level education. Part-time students are required to pay full fees, unlike their fulltime counterparts. This acts as a disincentive for those wishing to pursue third level education later in life, often for the first time. This inequality needs to be addressed to encourage greater levels of access to third level and to encourage those in employment to engage in ongoing training and development. We propose to move gradually to a standardised fee structure for full time, part time and post graduate education.*

4.3 Specialisation

Institutions have through PRTL demonstrated a willingness and capability to work together across organisational boundaries to achieve high level research goals. In the context of developing the sector, there is a requirement to review the fragmented approach to particular disciplines. For instance, there may not be a need to be an economics department, as a random example, in every university. It may be better to encourage the development of larger scale departments with significant international teaching and academic footprint. Additionally, it is appropriate to consider this approach at post graduate level, looking towards centres of research focusing on particular disciplines to achieve scale and excellence.

There is a serious demand for institution collaboration. Excellence can only be achieved if each institution specialises in what it does best. This process needs to be facilitated at an institutional, regional and national level. In particular there are opportunities for specialisation in the Greater Dublin Area. We need to consider economies of scale issues in relation to the third level system and its structure.

For example, there may be potential for collaboration in relation to some educational institutions such as the possibility of introducing a single governance structure for teaching

colleges rather than the current multi-track approach. The development of the link up between TCD and UCD announced recently may signal the decline of some traditional institutional barriers.

Fine Gael Proposes:

- *Each third level institution should examine where its strengths lie, identify what area of expertise it has the most potential to succeed in and produce a plan outlining its intentions and strategic vision for this area of education provision.*

- *In order to ensure diversity within the sector and to develop the IoT sector as a different and alternative to university style of education delivery, an overarching umbrella University or federation for the entire IoT sector should be introduced, under which, individual IoTs would be constituent colleges. This would still allow the IoT sector to concentrate on matching technological and emerging employment needs, albeit under an overarching national framework.*

- *IoTs and universities should be required to work in tandem to complement services provided by each sector, encourage facilities to be shared etc without overlapping in terms of mission or focus – university and IoT strategic plans should be geared in this way and the funds for new projects should be allocated on the basis that co-operation, where necessary and suitable is planned.*

4.4 *Student Supports*

Under our proposed changes, undergraduate contact hours will increase. If we are asking graduates to contribute to the funding of the sector, it is only right that student contact hours be increased significantly.

Fine Gael proposes:

- *Contact hours for students should be increased and the use of web-based learning contact hours should be developed across the sector. Web-based instruction should be introduced or extended where appropriate to bridge any learning gaps between undergraduate instruction and the levels of knowledge required to complete a PhD, particularly in scientific areas of research. This is essential to achieving international levels of excellence.*
 - *Access to medical and counselling services should be vastly improved*
 - *Library hours and resources increased*
 - *Laboratory and IT facilities improved*
 - *Where possible, undergraduate courses should incorporate a work placement to provide students with greater levels of skills upon graduating and improve job prospects*
 - *A student contract should be introduced for each student, stipulating the number of contact hours involved in the delivery of a course and the levels of independent learning required to attain a high standard of learning*

4.5 Meeting National Goals

At a national level, one of the often cited rationale for investment in education is its role in economic development to the benefit of the individual and our society. This in turn requires a much greater focus on the innovation and skills requirements of a complicated and diverse labour force. It is now an urgent national priority that employer and industry needs are incorporated into the development of the third level system in more meaningful way, taking into account the transferable skills identified by employers as necessary but sometimes lacking in the modern working environment.

Fine Gael Proposes:

- *Moving primary responsibility for the development of policy and delivery of third level education to a new Technology, Skills, Innovation and Higher Education Department. We do not propose that this Department would be in addition to existing Departments. Instead, we suggest the current Departmental structure could be reconfigured.*
- *This Department should also focus on lifelong learning, workplace training and the development of further education, which has been largely neglected to date.*
- *An industry and labour market needs survey should be carried out before any new course is introduced in any higher education institution to examine the demands for courses in that area and to ensure that the planned content of the course is meeting industry requirements. In general we seek greater collaboration with industry and commerce on research projects, in providing work placements for students and in terms of exploring sponsorship/philanthropic opportunities.*

Fine Gael Proposes:

- *A discount system or scholarship scheme could also be introduced in terms of any new funding mechanism – linking discounts/scholarships with courses that are designed to meet labour demands or national strategic goals. This should be reviewed regularly to encourage a thriving and forward thinking economy is supported by a well skilled and able workforce.*

4.6 Review of the HEA and related bodies and their core functions

Some progress has been made in terms of streamlining the number of agencies involved in delivering Higher Education. The Budget outlined a proposal to amalgamate the National Qualifications Authority of Ireland, HETAC and FETAC. However, more can be done to improve delivery of third level education. There is a certain amount of ambiguity surrounding the distinction between the role of the HEA and the Department of Education. This ambiguity needs to be addressed.

Fine Gael Proposes:

- *A single quality assurance body and qualifications body should be established*
- *Policy development and funding distribution expertise formally carried out by the HEA should move to the newly established Department for Technology, Innovation and Higher Education*

4.7 Accountability

There is a lack of transparency and accountability in the sector presently as to how much it actually costs to deliver third level education, e.g. whether there is waste involved on behalf of some institutions, whether the salary system employed is equitable and whether value for money is being attained across the board. While it is not intended to micromanage the third level system, there is a need in the short-medium term to carry out a thorough review of the financial return of the sector.

Fine Gael Proposes:

- *The Comptroller and Auditor General should undertake an extensive audit of the sector to review exactly how much of a deficit exists, ascertain where money could be better spent and make recommendations as to how to obtain better value for money across the board.*

- *An independent qualitative review of institutions should be undertaken, to ascertain what institutions are achieving in terms of research published, the number of contact hours students receive, the services available within institutions, the number of staff employed and how they are dispersed throughout the system to obtain a complete overview of how services compare within the sector.*

- *Over €865m has been approved to date under the PRTLTI and there is a total of €510m allocated under the SIF over the period of the National Development Plan. The last review of the PRTLTI took place in 2004 and the SIF has not yet been reviewed. An Independent Impact Assessment of the PRTLTI Scheme and the Strategic Innovation Fund should be carried out and completed within six months to ascertain exactly how effective both funding mechanisms have been to date*

Fine Gael Proposes:

The performance of staff in higher education institutions should be reviewed on a regular basis to ensure undergraduate teaching is not being compromised by too great a focus on research. To further the autonomous approach already in place, we suggest there is scope for considering extending this position to the pay structure within third level institutions

4.8 Philanthropy

In late 2005 the HEA established a small working group to review the use of tax based and other financial incentives for funding Higher Education Institutions. The essence of the project was to establish to what extent there was additional scope to generate more funding from the private sector to fund the next phase of education development and expansion.

The HEA report was undertaken in what now seems like a distant economic time. There was huge additional wealth being created in the economy and there was beginning to be the development of some small philanthropic activities. Several universities have benefited from donations from either corporate organisations or individuals.

The change in the economic fortunes of the economy and of many individuals should not divert the State or the Third Level institutions themselves from seeking to promote philanthropic activity as an innovative source of funding and development in the sector. Philanthropy is not a new feature of this century. Many of the leading third level institutions across the world derive benefits from historic legacies that have been managed and grown to the institutions' clear benefit. While Irish third level Institutions have woken up to the possibilities of such activities, they do not appear to have adopted a systematic approach to its inclusion in their development programmes. From a Government and societal perspective, the fact that there is severe pressure on the national finances means that the requirement for other sources of revenue increases.

The HEA Report made 11 clear recommendations – many of which continue to make eminent sense. The feasibility of some of their proposals may be called into question in current economic circumstances, but the core principle must remain the same. Barriers to philanthropy from the donor perspective should be minimised once the purpose of the donation is clear, unambiguous and not conflicted.

Fine Gael Proposes:

The barriers to philanthropy should be removed. In particular, while there should be tax consequences to a donation, it should not be classified as a tax incentive – and so the rules governing such donations should be different. The recommendations of the HEA Report on the issue should be reviewed and, acknowledging the current fiscal climate, be implemented as soon as is practicable

5.0 A Third Level Change Budget

The changes that we have proposed are fundamental and far reaching. The drivers of these changes have to be the third level sector itself and Government centrally. The changes should be achieved over a five year timeframe.

There is a consequent and obvious requirement to review the funding of the sector – so that it can be put on a sound footing with predictable income.

Funding will still come from three of the primary sources of revenue outlined in this Paper, namely;

- Government
- Research funding from both the public and private sectors.
- Philanthropy

Currently institutions also raise revenue through charges on their students. While each student is entitled to one fee free degree, the reality is that institutions charge registration fees of c. €1,500 per annum. The use of third level registration fees is in our view, the re-introduction of third level fees by stealth. Fees are paid by many postgraduate students. Given that the postgraduate sector is often one of the key drivers of change and innovation in the sector, we need to ensure that barriers to participation here are as low as possible even in the current economic context.

Fine Gael Proposes:

- *Abolishing the student registration fee for all students, which amounts to approximately €173m, as we see this escalating levy as a significant deterrent for many already cash-strapped families and upfront charge facing parents and students which, in tandem with accommodation and other third level costs is proving too costly to bear for many in the current economic climate.*

A Third Level Change Budget

In the current national economic context, we do not believe that the evident shortfall in third level expenditure should be funded by general taxation. The bulk of funding for the third level sector will still come from the public purse. However, we recognise that in an era of competing priorities, third level education must not be prioritised over primary and secondary level education funding needs.

For the reasons outlined previously, we reject the reintroduction of fees option. We think that fees are crude and unjust. They place a disproportionate cost on the less well off in our society. We believe that they act as a barrier to third level participation.

We have also examined the idea of a student loan system. This has a number of obvious advantages, but it still favours the well off in society – those who can afford to pay upfront can do so. Those who require loans have to pay them back, regardless of their career path and salary and interest accumulates, particularly if postgraduate courses are undertaken. Student loans themselves can act as a disincentive to the pursuit of excellence in postgraduate programmes, simply because compound interest turns the debt from a manageable amount into a debt mountain.

5.1 Funding Options – An Alternative Way

Having rejected fees, student loans and a general increase in taxation, we have sought an alternative way. In developing our approach we set out the following core principles:

- We do not believe that graduates should bear the full cost of their education at third level. We think that to ask graduates to do so ignores the societal and economic benefits of third level education.
- We are proposing a system of deferred contribution – where graduates once they begin to receive the economic benefit of their education make a contribution towards the cost that was incurred on their behalf.
- We estimate that this graduate contribution scheme would generate up to €500m per annum.

Fine Gael Proposes in Principle:

- *That the contribution should be universal – i.e. it should be sought from every graduate in registered with Revenue, regardless of their wealth*
- *That any graduate contribution system should act as an incentive, rather than a disincentive, to third level participation*
- *The contribution is 30% of the unit cost of the students' education.*
- *Education is free at the point of delivery to avoid any undue burden on students or families*
- *Students or families who wish to pay the contribution in full immediately after graduation may do so*
- *The contribution should be collected through the PRSI system. This will require an amendment to the relevant legislation to establish a new dedicated fund for Higher Education*
- *Initially this money can be borrowed on the basis that it will become a guaranteed source of income. From international experience, we are of the view that the borrowing required to establish this Fund is not included in State borrowing under terms of the Growth and Stability Pact*
- *That it cannot be introduced retrospectively (i.e. the scheme can only be introduced to new entrants to third level)*
- *Some of the funds raised should also be used to fund scholarship programmes at undergraduate and postgraduate levels to reward excellence in academic performance*
- *There is no interest charged on the graduate contribution*

Fine Gael Proposes in Principle:

- *The level of repayment is set at a minimum rate by the State but may be increased by the graduate if he/she wishes to pay the contribution over a shorter period of time.*
- *A flexible system of payment will be introduced as part of this contribution process – to take account of career paths, and postgraduate professional training after formal education ceases.*
- *It is an automatic entitlement – it does not require security for loans and the implementation system is designed to be non bureaucratic. There is no credit assessment, no means testing.*
- *The money raised in this manner will be ring-fenced for third level change and will be distributed amongst third level institutions by the over-arching body responsible for distributing recurrent funding.*
- *The level of funding obtained by each individual institution raised by the contribution by graduates will be based on performance and progress made by applicant institutions in delivering on reform objectives.*

5.2 Strategic Change Goals

Funding obtained through the Third Level Change Budget should be redistributed back into the third level sector. We suggest this funding, as outlined above, should only be allocated to institutions which have made progress in delivering on the following reform objectives;

- Improvements in quality and standards in terms of teaching, research
- Value for money
- Innovation and specialisation
- Collaboration and cooperation between institutions
- Links with industry
- Strategic focus on labour demands
- Enhanced student supports
- Introduction of Access, mentoring and student support services programmes

6.0 Conclusions

The implementation of the new funding model is contingent on the reforms that were identified as being critical to the sector. In reality the pre-requisite reform steps that we have identified will take time to implement. Our commitment to the fact that reform has to take place first is absolute. We simply will not introduce a deferred contribution programme until meaningful and genuine reforms have been put in place within the sector.

We believe that our approach has the following advantages over other funding mechanisms:

1. We seek to maximise participation by minimising financial barriers to entry of third level.
2. We are ensuring commitment and continuity to the funding of third level sector.
3. We are ensuring that postgraduate courses become more accessible.
4. We are introducing predictability for the student, the institution and the sector.
5. It is an enabling mechanism for fundamental reform – which is the prerequisite for strategic change and development.

Appendix 1: Practical Examples

Joe has completed an Arts degree in 3 years. The accumulated cost of his degree programme was €38,000. His graduate contribution will amount to €11,400.

Aisling has completed a Science degree. The accumulated cost of her four year degree was €54,460. Her 30% contribution amounts to €16,338.

Diarmuid has completed an Engineering degree. The accumulated cost of his four year degree was €56,988. His 30% contribution amounts to €17,096.

Appendix 2: Glossary of Terms

Bologna Process

The Bologna Process aims to create a European Higher Education Area by 2010, in which students can choose from a wide and transparent range of high quality courses and benefit from smooth recognition procedures.

BTEA

Back To Education Allowance - it is an educational opportunity scheme for the unemployed people and loan parents. The allowances are payable to people who wish to pursue approved second or third level educational courses

FETAC

Further Education and Training Awards Council – the national awarding body for further education and training in Ireland, FETAC gives people the opportunity to gain recognition for learning in education or training centres, in the work place and in the community.

HEA

Higher Education Authority - the statutory planning and policy development body for higher education and research in Ireland. The HEA has wide advisory powers throughout the whole of the third-level education sector. In addition, it is the funding authority for the universities, institutes of technology and a number of designated higher education institutions.

HEAR

Higher Education Access Route – Higher Education Access Programmes funded by the HEA to encourage wider participation at third level.

HETAC

Higher Education and Training Awards Council. It is the successor to the National Council for Educational Awards (NCEA). HETAC is the qualifications awarding body for third-level education and training institutions outside the university sector.

IUQB

The Irish Universities Quality Board is funded by Irish universities and the HEA and is responsible for evaluating the quality processes of Irish universities.

NQAI

The National Qualifications Authority of Ireland is an agency of the Department of Education and Science and the Department of Enterprise, Trade and Employment It has responsibility for developing and maintaining the National Framework of Qualifications.

PRTL

Programme for Research in Third Level Institutions. PRTL provides financial support for institutional strategies, programmes and infrastructure in key areas of research spread across all disciplines. The programme supports research in humanities, science, technology and the social sciences, including business and law.

SIF

The Strategic Innovation Fund (SIF) is a multi-annual fund directed towards support for innovation in higher education institutions. It supports new approaches to enhancing quality and effectiveness within higher education and research, incorporating the use of existing resources (including capital resources) more effectively, as well as new funding.