

Public Accounts Committee 22 June 2017

Speaking Points on Future Funding of Higher Education and Cassells Report

	2014	2015	2016	2017
	€m	€m	€m	€m
V26 - EDUCATION AND SKILLS (NET)	7,941	8,178	8,341	8,675
SKILLS DEVELOPMENT	342	325	340	343
NTF EXPENDITURE	347	334	347	366
HIGHER EDUCATION	1,478	1,517	1,526	1,585

As the Committee will be aware the Minister for Public Expenditure and Reform and the Minister for Education and Skills launched a consultation process in March on the design and operation of an Exchequer-Employment mechanism to help fund higher and further education into the future and drive continued reform.

The paper proposed an incremental increase in the National Training Fund from 0.7% to 1% by 2020.

There was considerable engagement (28 submissions) with the public consultation, which was subsequently followed by an open forum event with stakeholders on May 31st hosted by both Ministers. The purpose of the forum was firstly to better understand are the proceeds from the National Training Fund (NTF) currently being put to the best use and secondly, if there was an increase in the NTF levy how should this be configured in order to meet the needs of employers and the wider economy.

Both Departments are now actively considering all of the issues raised as part of the consultation process, following which the Ministers will bring a Memorandum to Government on the outcome of the consultation process and the proposed next steps.

Funding

The Cassells Report references a requirement of additional €600m by 2021 for the sector in order to build on competitiveness and meet skills demands.

It will of course be necessary to assess in specific terms the detailed funding requirement for the HE sector taking into account all relevant factors including the headline cost projections in the Expert Group report, updated demographic projections, the impact of ongoing and future reform and productivity initiatives and the effect of stronger integration between the HE and FET sectors.

The State is a significant contributor to the Higher Education Sector and provides c. €1.8bn in direct grants to Higher Education and Further Education and Training annually. We are committed to education and the development of human capital and this was reflected in Budget 2017, which had an allocated increased expenditure of €36.5m on higher education in the Estimates for 2017 with further provision for demographic increases in the sector in 2018 and 2019. The scope for any additional Exchequer investment commitment will of course be subject to overall budgetary and expenditure considerations, including compliance with the EU Fiscal Rules.

Risks to competitiveness

An increase in costs for employers obviously has an adverse impact on their cost competitiveness and that this is additional to the pressures many firms are already facing.

These costs however must be balanced with the clear benefits to employers and the economy as a whole - from higher levels of human capital - boosting productivity levels and providing the competitive edge in an increasingly knowledge-intensive economy.

In terms of quantifying the impact of any change, to give an example - a small firm employing ten people earning an average wage of €35,000, would see their total cost base rise by some €1,000 if the levy was raised from 0.7% to 1.0% - an additional c. €100 per employee per year.

Taking account of all these issues, the Minister is satisfied that this represents a proportionate and fair contribution - when balanced with the potential gains to our human capital.

What about the issue of student loans which was also referred to in the Cassells Report?

The Expert Group referenced three sources of funding: Exchequer, Students and Employers. This consultation paper relates to the latter, in keeping with the commitment made at time. Separately an Interdepartmental group comprising the Departments of Education and Skills; Public Expenditure and Reform; and Finance is progressing work on the technical aspects of any potential student loan

scheme. This work will inform future policy options, in light of both this consultation process as well as recommendations from the Oireachtas committee.