

The Financing of Higher Education in Wales

A Submission from



**The Council for Industry and Higher Education
(CIHE)**



The Council's Mission is to advance all kinds of learning through the fostering of mutual understanding, co-operation and support between Higher Education and Business.

The Council leads in developing an agreed agenda on the learning issues that affect our global competitiveness, social cohesion and individual development; commissioning research so that policy can be better based on evidence; debating our agenda and research with Government and its agencies, and working with them and other organisations to effect change.

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Introduction

The CIHE is pleased to make this input to the Rees Review on the future funding of higher education in Wales. Our input reflects that set out in more detail in our documents *The Value of Higher Education* and *Invest in our Future* copies of which are attached.

General Principles

Our approach can be summarised as follows:

- The UK and every constituent nation needs a world-class system of higher education that is available to everyone who can benefit from it;
- Higher education underpins our economy and society and the creation of wealth in a more knowledge intensive future;
- Businesses need more people who have the skills and capabilities to raise the productivity of all organisations and close the productivity gap with our main competitors;
- Higher level learning is recognised by the premium employers continue to pay for graduates; this premium attests to the economic benefits and shows no real sign of diminishing; those who suggest that we have too many graduates have not disputed this fact;
- Fears of graduate unemployment or underemployment have been exaggerated; where they do exist they reflect the time it takes for many graduates to settle into a graduate level job; those in the arts and humanities appear to take particularly longer times to settle; employers need better to work with universities and colleges to ensure there is better information on what employers seek and a joint approach to developing employability in all graduates;
- There are wider social benefits that higher education confers; the experience of higher education helps people to lead a more healthy, crime-free life, to be more tolerant and more involved in their communities; they pass these benefits to their children;
- For all these reasons to invest in higher education is to invest in a successful future for Wales and the UK at large;

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- But higher education in Wales has a lower unit of resource for teaching than the other constituent parts of the UK; furthermore it does less well out of the RAE and other funds; this inevitably affects the quality of infrastructure, of teaching and of staff pay; if unchecked, this trend will lead to the deterioration of higher education in Wales and to it being unattractive to students, staff, researchers and research funders from outside; Wales will suffer both relative to other parts of the UK and in terms of its international competitiveness;
- Given that many students increasingly study near home and much R&D should be with local businesses, poor quality higher education will particularly affect the less mobile (generally from lower social groups) and small businesses;
- If Wales aspires to be a centre of quality learning and research and a serious player on the world stage, increased funding from the Welsh Assembly is needed to underpin quality research, knowledge transfer, teaching and engagement with local communities;
- But the Welsh Assembly has many conflicting spending priorities; hence while the unit of teaching resource in particular must increase, it would be unrealistic to imagine that ever increasing levels of funding from the Welsh Assembly can be delivered indefinitely to offer a total long-term solution;
- The CIHE considers that everyone who benefits should contribute: the State via general taxation, graduates and businesses; the latter should pay the full economic costs of the services they buy and should be encouraged to invest more in quality research, knowledge transfer and work-based learning with universities and colleges;
- Graduates benefit considerably from their higher education in terms of enhanced earnings, lower unemployment and in other ways (as noted above); the average annual earnings premium over students with just A-levels or equivalent is some 17%;
- But not all graduates earn such a premium and some choose to enter jobs in the public sector in areas such as health care and teaching where such premiums are much less likely; yet the State and wider society benefits from their enhanced capabilities;
- Neither should the spectre of debt hang over young students as they prepare for higher education or embark on a course of study; such fear can affect the willingness of those in particular from non-traditional backgrounds to engage in higher education;
- Hence the CIHE concludes that higher education should be free at the point of entry in terms of fees; that graduates should make a contribution to their learning

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out of their enhanced learning; that the contributions should be income related and only payable once a given income threshold has been reached (£15,000 is our proposal); that there should be a debt forgiveness after a certain number of years so that debt is not hanging over those unlikely to reach the repayment threshold (we suggest 15 years);

- We also consider that part-time students should not be financially disadvantaged in comparison with full-time students – especially as those from lower social groups and other non-traditional backgrounds are most likely to be those studying part-time; employers should support their staff when they engage in higher education as part of a commitment to raising the capabilities of their teams;
- But the major cost of higher education is maintenance costs; hence there should be bursaries for those from the poorest backgrounds paid for on a consistent national basis by the Welsh Assembly; these might be repayable on an income contingent basis as with tuition fees;
- We do not think that the loans available to students should be subsidised to the extent they are currently; a blanket subsidy is inefficient and enables those from richer backgrounds to make a turn at the taxpayers expense; equally we recognise the argument that students from poorer backgrounds might be put off by high borrowing costs; hence we consider that the Welsh Assembly should make loans available at a rate that reflects its own cost of borrowing; that way the student still receives a subsidy but not at the expense of the general taxpayer; this will reduce the costs inherent in the solution adopted in England and allow those savings to be better targeted through the national bursary scheme we have proposed;
- A national bursary scheme would enable the Welsh Assembly to ensure a consistent and equitable approach without resorting to a Welsh form of OFFA and to adjust the scheme and funding levels in tune with changing national policies; it would also provide the means through which the Assembly might encourage students to study particular subjects that might be important to the Welsh economy but which might be threatened through institutions closing departments due to inadequate demand – bursaries could help price students into those subjects;
- We would prefer that the ability of institutions to charge fees repayable out of earnings was not capped; we consider that higher education institutions should operate in a competitive market and offer a range of prices that reflect costs and benefits; equally, we recognise the political realities and the need to encourage efficiencies rather than allow a cost-plus system of pricing to emerge as in the USA;

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- It is important that a market is allowed to develop; hence we consider that any cap on fees should be set at a level that encourages true differentiation and student choice; we doubt if that can be achieved with a cap below £5/6,000 per year; any cap should be reviewed after a few years (we suggest 5 years to align with the review period in England);
- We suggest that if the Welsh Assembly has the confidence and courage to approve such a package of funding, then higher education will face a future that offers greater funding from a variety of sources, the opportunity to increase the quality of what it is able to offer without damaging access and diversity, and the chance for it to play its proper role at the centre of a more dynamic, economically and socially healthy Wales.

CIHE

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