

A decorative graphic consisting of numerous parallel blue lines that curve from the top left towards the bottom right, creating a sense of movement and depth.

STATE HIGHER EDUCATION FUNDING

Report of the State Higher Education Funding Working Group
to the Minister of Education, Youth and Employment

November 2004

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November 2004

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State Higher Education Funding Working Group

18th October 2004

Hon. Dr. Louis Galea B.A., LL D., MP.
The Minister of Education, Youth and Employment,
Ministry of Education, Youth and Employment,
Floriana.

Dear Minister,

State Higher Education Funding

We enclose herewith for your kind attention a copy of the report of the State Higher Education Funding Working Group.

Please do not hesitate to contact us should you wish to discuss in further detail any particular aspect of the enclosed report.

Yours sincerely



Roderick Chalmers
(Chairman)



Anne Marie Thake
(Member)



Jacques Sciberras
(Member)

STATE HIGHER EDUCATION FUNDING

Report of the State Higher Education Funding Working Group to the Minister of Education, Youth and Employment

1. In April 2004 the State Higher Education Funding Working Group (hereinafter referred to as the "WG" or the "Group") was appointed by the Minister of Education, Youth and Employment to review Government funding to Post Secondary and Tertiary (PS+T) institutions. The members of the WG are Roderick Chalmers (Chairman), Anne Marie Thake and Jacques Sciberras. Rev. Professor Peter Serracino Inglott acted as a consultant to the Group.
2. The contents of this report are set out as follows:

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I Terms of Reference

- 3 The terms of reference drawn up for the Group were as follows:
 - (a) Generally to examine and report on the situation concerning the financial and other resources available to Government-funded post-secondary and tertiary institutions in Malta and Gozo, and the students attending thereat;
 - (b) To recommend - what appropriate short and long term measures should be taken to secure the financial sustainability and efficacy of these institutions;
 - (c) In carrying out its task, the Working Group shall:
 - *Consult with all relevant stakeholders including the University, Junior College, MCAST, Gozo Higher Educational Institutions, Institute for Tourism Studies, Student Representatives, Educational Authorities, Union representatives, the Student Maintenance Grants Management Board and other interested bodies;*
 - *Take into account:*
 - the aspirations and needs of students;
 - the socio-economic implications of post-secondary and tertiary education at this stage of the country's development;
 - the over-arching political approach towards welfare and the competing demands on the financial resources of Government;
 - the direct and indirect impact of accession to the EU
- 4 You asked that the WG should report back to you with its findings by the end of October 2004.

II Background and Introduction

- 5 You will note that the terms of reference required the WG to consult widely. This we have done, and during the course of our work over the summer months we met with the institutions and individuals set out on Appendix A hereto. We are most grateful to all those we met for the time that they gave to the WG during the consultation phase, for their views and insights into the key issues facing the Post Secondary and Tertiary (PS+T) institutions, and for the financial data and other information that they kindly provided. This report would not have been possible without their kind assistance and co-operation.
- 6 Given the breadth of our consultative process, it was perhaps inevitable that we became involved in discussions outside the strict financial nature of our remit. Whereas in reporting our findings to you we shall attempt to respect the constraints of our terms of reference, the significance of the structural issues are such that we find ourselves obliged to point to other issues and concerns that, in our opinion, need to be addressed.
- 7 As will unfold below, it is the view of the WG that the issues facing the PS+T institutions are both fundamental and structural. Accordingly, as requested by you, this report will deal with what the WG regards as the key issues - those issues on which important, high-level decisions of principle are required. The WG wholly recognises that once these high level decisions are taken, much detailed implementation work will be required. As will be noted later in this report, the proper reshaping of the PS+T funding model will necessarily take some time to complete.
- 8 As will also become apparent, there are a number of very difficult decisions to be taken - political, educational, philosophical, structural and economic. Some of these decisions are on questions which the WG feels able (or emboldened) to make specific recommendations; others are questions on which the WG feels that there is no absolute "right" or "wrong" view, and on which there is room for wholly legitimate but differing policy views to be held. In these instances, the WG sees its role as setting out a range of options that are available. It will be for the Ministry of Education, following the appropriate consultative process inside and outside Government, to determine which of the particular options should be adopted.
- 9 However, it is probably fair to point out at this early stage that it is the firm view of the WG that the *status quo* is not an option that is available to all concerned - and nor is the tinkering or fine tuning with the system at the margins. We believe that the time has come for a radical "generational" rethink towards the funding of PS+T education in Malta. Transformational steps are required, and success will call for vision, bold initiatives and changes in policy - not "more of the same". Accordingly, there is little doubt that there are some tough and difficult decisions to be made.

III Summary of Key Findings

- 10 The following is a summary of the key issues arising from our review. The summary should be read in conjunction with the report as a whole, as the report goes on to elaborate further on the key findings set out in the summary.

SUMMARY OF KEY FINDINGS

Background

- *It should be recognised that the re-evaluation of all aspects of financing of PS+T institutions is an international phenomenon, and is not one that is specific to just Malta. It is a serious long term issue that warrants mature debate. It would be a pity if this debate were to become unnecessarily politicised. [paragraph 11 to 12]*
- *Malta has made significant progress over recent years in stepping up participation rates in Post Secondary and Tertiary (PS+T) education. [paragraphs 13 to 17]*
- *However, continuing investment is required if we are to aspire to OECD standards and the Lisbon criteria. [paragraphs 18 to 24]*

The Present Situation

- *All PS+T institutions are under severe financial pressure. This pressure manifests itself variously in inadequate infrastructure, overcrowding, under-investment and insufficient funds being available for basic necessities. In such circumstances, there is an inevitable effect on morale. [paragraphs 25 to 28]*
- *In part, the pressures being faced by the institutions are the result not of policy failure, but of policy success. However, this success now demands the adoption of new policies. [paragraphs 29 to 37]*

The Way Forward

- *The current systems and methodology of funding PS+T institutions have passed their sell-by date and require radical revision. The stark logic of a broad linkage between numbers attending institutions and funding requirements leads inexorably to a model of formula funding. [paragraphs 38 to 46]*
- *Proper and effective accountability is an absolute pre-requisite for publicly funded PS+T education. The current systems in place are wholly inadequate. [paragraphs 47 to 58]*
- *The revision of financing PS+T institutions should necessarily include consideration of all components of funding PS+T education, including the current Student Maintenance Grant (SMG) and tuition fee regimes. Current trends point towards a greater degree of private contribution to the cost of higher education, whilst at the same time protecting the socially desirable principle of "equal access". [paragraphs 59 to 78]*
- *Great caution should be exercised in any move to "tilt" the PS+T education platform. [paragraphs 79 to 83]*
- *There is a need for greater strategic co-ordination and co-operation between the various institutions in the PS+T sector. Examination of the current structure of the PS+T institutions should accompany this strategic review. [paragraphs 84 to 88]*
- *There are a number of material finance related considerations resulting from Malta's accession to the EU. [paragraph 89]*
- *A sequence of steps is recommended as a proposed way forward to address the key issues identified above. The reshaping of the PS+T educational landscape will take some time. In the meantime, interim relief will be needed. [paragraphs 90 to 91]*



IV Re-evaluation is an international phenomenon - it is not unique to Malta

“Many Governments are facing similar issues relating to higher education at the start of the 21st century. How to have a successful and modernised higher education system? How to have in place the right size higher education system, providing the right numbers of graduates to meet the needs of the economy and society more widely? How to allow access to all those with the potential to benefit, while balancing that with the need to provide resources? Common issues include:

- *The appropriate rate of participation;*
- *The extent to which contributions to the costs of higher education learning should come from the state, the student and/or their family and;*
- *The amount of support, if any available to students and whether this is in the form of loan, grants or a combination of the two.”¹*

“Problems of quality and lack of resources are compounded by the new realities faced by higher education, as higher education institutions battle to cope with ever-increasing student numbers. Responding to this demand without further diluting quality is an essential daunting challenge ... Expansion, public and private have been unbridled, unplanned and often chaotic. The results - deterioration in average quality and continued inequities - could all have serious consequences.”²

- 11 The quotations set out above show that the re-evaluation of all aspects of financing of PS+T institutions is an international phenomenon, and is not one that is specific to just Malta. It is a serious long term issue that warrants mature debate. It would be a pity if this debate were to become unnecessarily politicised, as this could serve to distract attention away from the key objective of such a re-evaluation, which is to ensure that Malta's PS+T institutions are suitably structured, funded and equipped for the challenges and opportunities of the future. Certainly, a politically acceptable resolution should be found; certainly, the academic and non academic staff at these institutions are entitled to the opportunity of fulfilling, suitably rewarded careers; certainly, the concerns of the students should be heard. But, at the end of the day, the key is to ensure that Malta's PS+T institutions are properly structured, managed and funded, as only then will they be in a position to provide our students with the high quality knowledge, skills and other attributes required to enable Malta to continue to develop and prosper, both socially and economically.
- 12 At the heart of the international debate on the funding of higher education has been the need to recognise and respond to the effect of “massification”. Higher education is now, quite rightly, no longer the privilege of the elite few, but the right and aspiration of all. Governments all over the world have striven to facilitate access to tertiary education, and to secure ever increasing rates of participation. The much expanded numbers have had an inevitable impact on the funding needs of the institutions, and this has led to widespread debate as to how these increased needs should be met, particularly in environments where there are increasingly complex and competing claims on Government resources. Few countries have been

¹ UK Department for Education and Skills (2003) - Paper on Higher Education Funding.

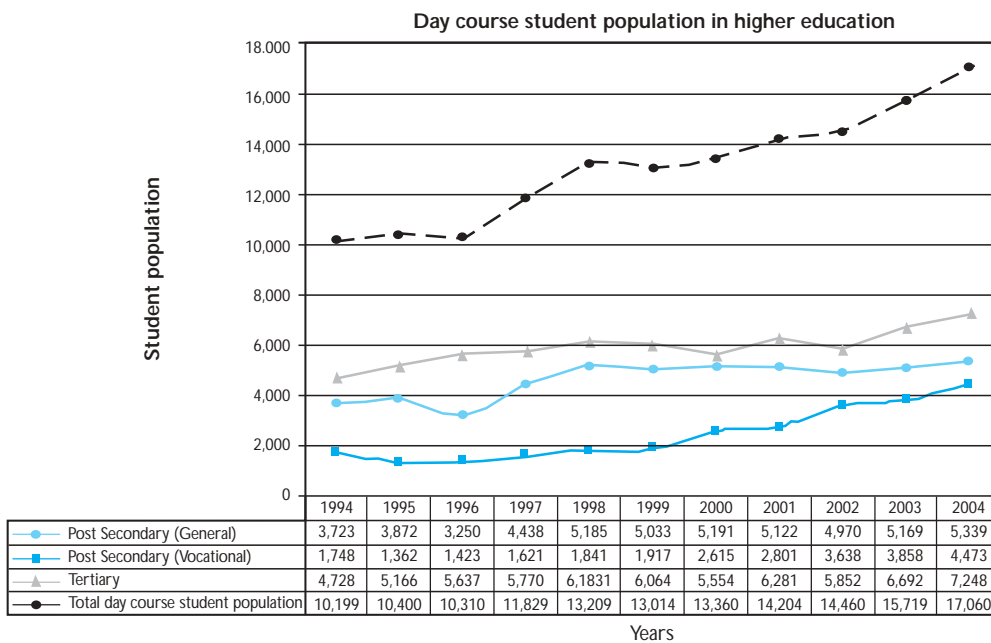
² World Bank and UNESCO (2000), Report of the Task Force on Higher Education and Society.

able to sustain an indefinite expansion of higher education, and the investment requirements thereof, without pausing to consider how it should be structured and financed. The debate necessarily involves the complex balancing of the social, political, economic, financial and managerial aspects of education, whilst seeking (all at the same time) to maintain investment, accessibility and academic quality. The combination presents a formidable challenge, even to wealthy economies.

V Significant Progress over Recent Years

- 13 As can be seen from Tables 1 to 3 below, Malta has made significant progress over recent years in stepping up participation rates in PS+T education. Over the last decade, Malta has witnessed significant overall expansion in the higher education sector. In day courses alone, the student population increased by 67% over the ten years between 1994 and 2004. In the last five years, the growth rate has been 31%. The past decade has also witnessed a marked increase in students attending part time or evening courses conducted by the University of Malta and MCAST.

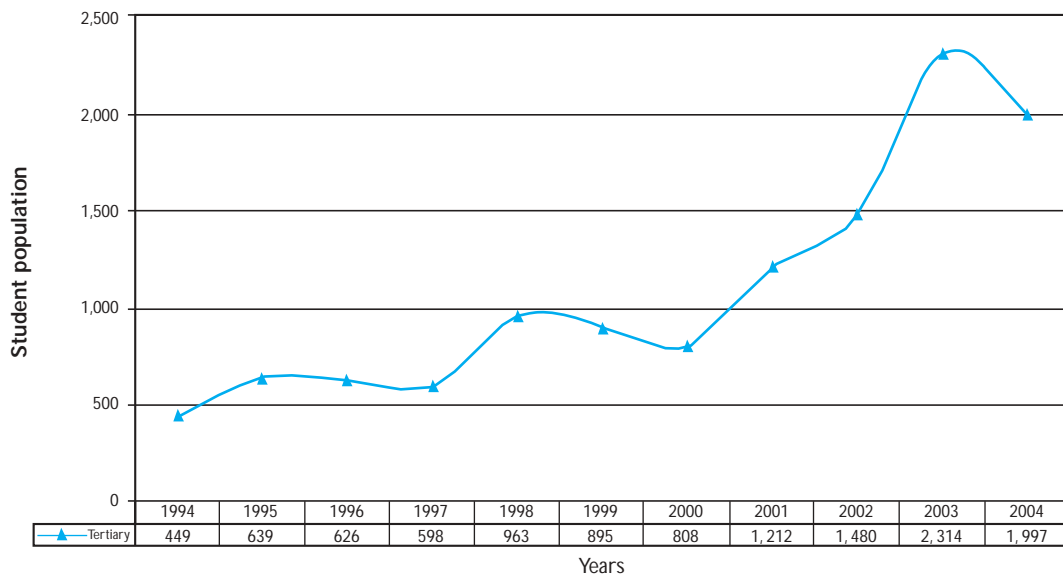
Table 1



Sources: Data as at start of Academic year October - 1994 — 2002 NSO Education statistics; 2003 — NSO provisional data; 2004 — University of Malta as at September 2004.

Table 2

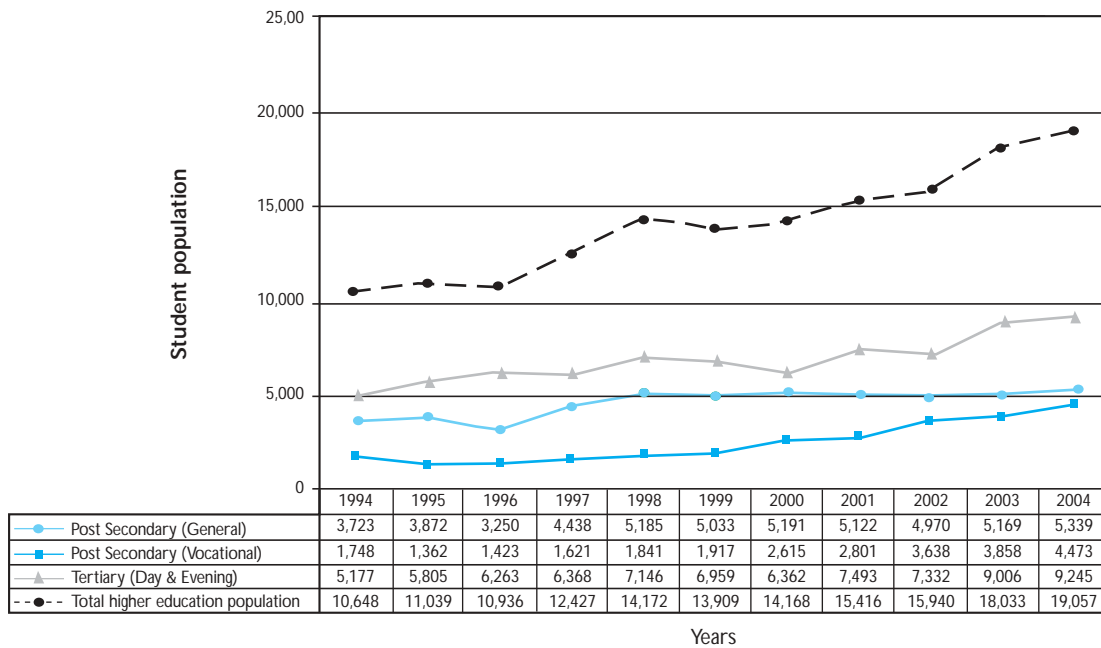
Evening course student population in higher education



Sources: Data as at start of Academic year October - 1994 — 2002 NSO Education statistics; 2003 — NSO provisional data; 2004 — University of Malta as at September 2004.

Table 3

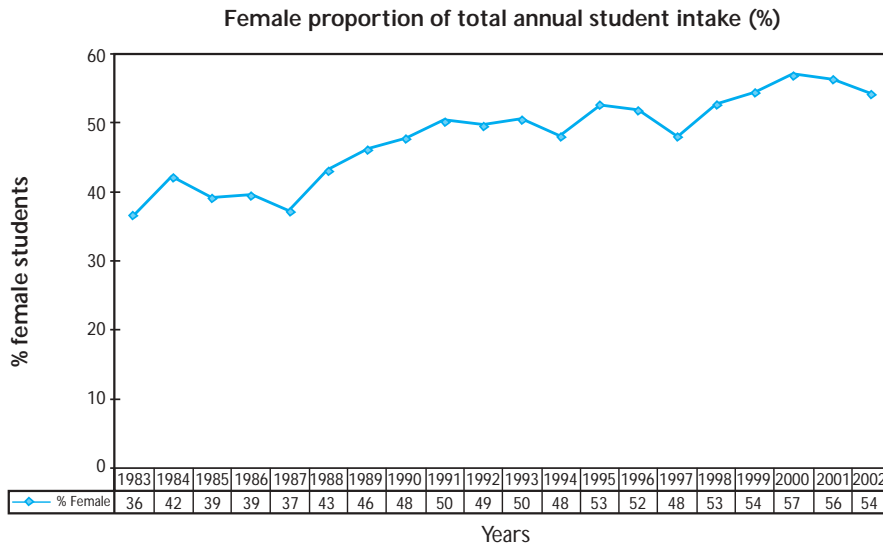
Total Day and Evening course student population in Higher Education



Sources: Data as at start of Academic year October - 1994 — 2002 NSO Education statistics; 2003 — NSO provisional data; 2004 — University of Malta as at September 2004.

- 14 Table 4 below shows that the increased numbers attending University have also been accompanied by a marked upward trend in female student participation.

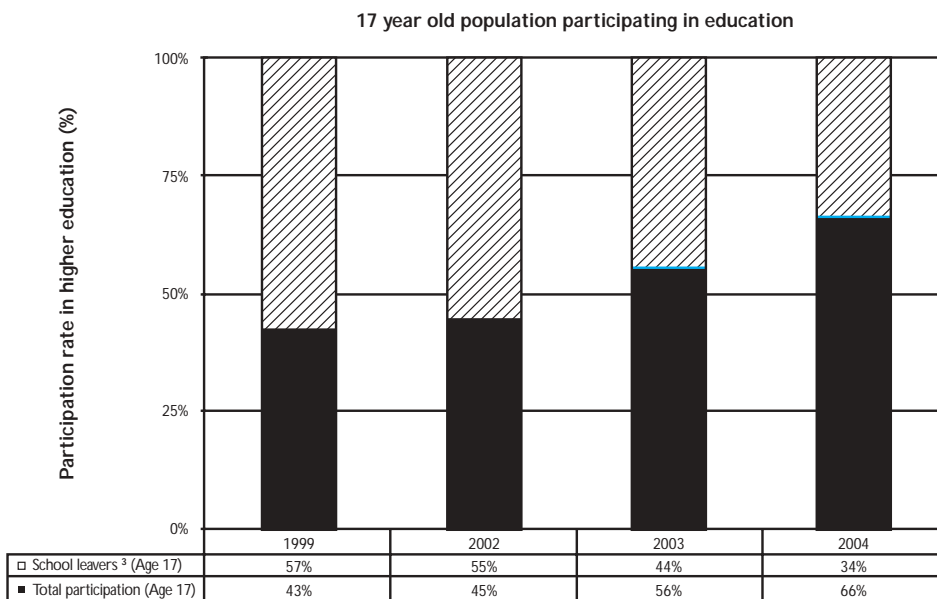
Table 4



Source: NSO Education Statistics.

- 15 One of the accepted measures of post-secondary participation rates is the participation rate of the population aged 17. This is regarded as the ideal “technical age” cohort to use since most of the students will have completed the secondary level, and would not have yet started attending University. Table 5 below shows the gradual change in choice of 17 year olds across a period of time. In comparison to 1999 where only 46% of 17 year olds participated in any post secondary level of education, the 2004 data shows approximately 66% of the 17 year olds participating.

Table 5



Sources: 1999 - 2002 NSO Education statistics; 2003 — NSO provisional data; 2004 data provided by respective PS+T institutions to the WG.

³ School leavers refer to students not participating in any higher education institution i.e. secondary, post-secondary, vocational, general and tertiary education.

- 16 The improved profile of students aged 17 participating in education has come from both the Sixth Form and Vocational sectors. However, as will be seen from Table 6 below, taken forward to age 19, the position, though improved, is less encouraging. Table 6 shows that at age 19, 56% are no longer participating in education.
- 17 According to Table 6, at age 19, 23% are participating in tertiary level education. This figure would improve to about 26% if account is taken of students participating in higher level courses in the vocational sector. However, even at 26%, participation in tertiary level education is low by OECD and European standards. Table 7 below shows that the net entry rate for tertiary level education in Malta was at 27% in 2001, compared to a 47% country mean for data on OECD countries.

Table 6

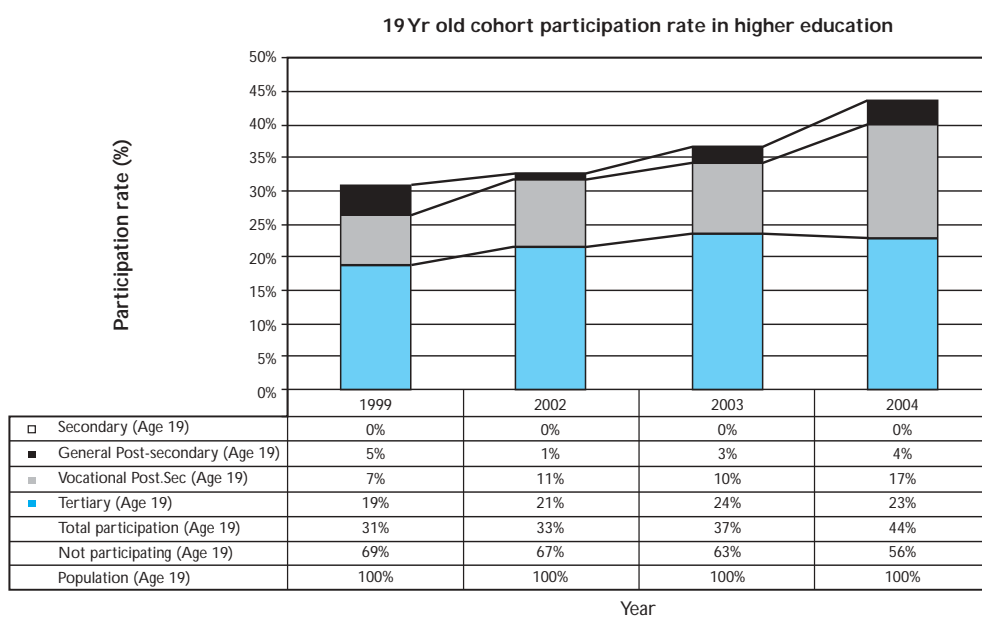
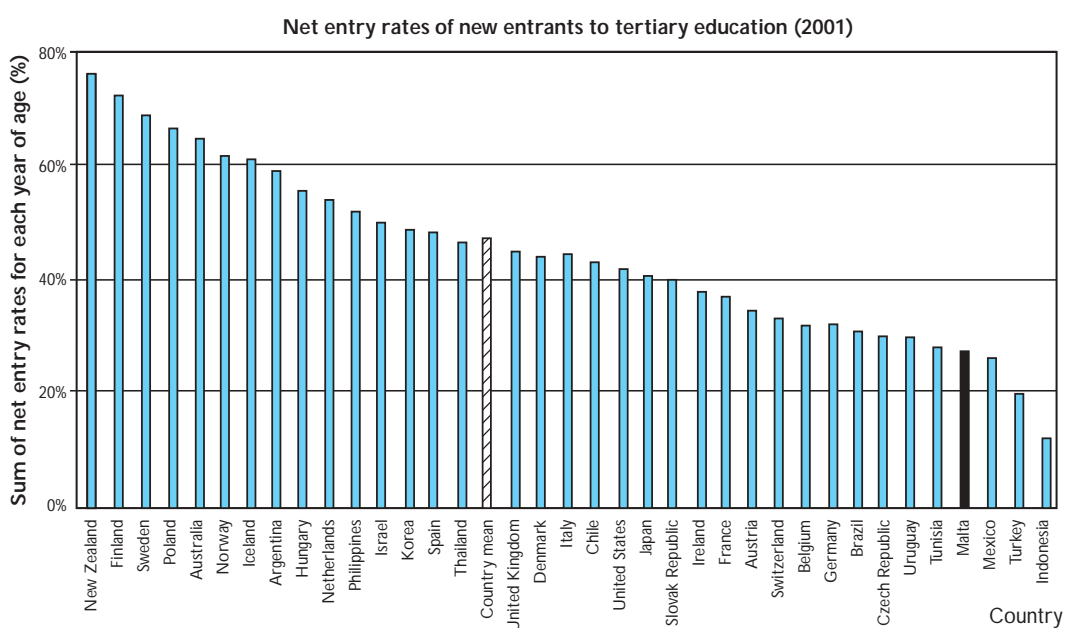


Table 7



International Source: OECD, Education eta glance 2003, Table C2.1, page 267
 Malta Source: NSO, UOE Data sources, 2001 (New entrants), NSO, Demographic review of the Maltese Islands 1999 (Population for age cohorts).

VI Continuing Investment is Required

- 18 Therefore, notwithstanding the achievement noted above, continuing investment is required if we are to aspire to OECD standards and the Lisbon criteria.⁴ The current target is to have 65% of all 22 year olds by 2010 having obtained post-secondary qualifications.⁵ The biggest proportion of that cohort would be age 17 five years before i.e. in 2005. If we observe the current participation rate at post-secondary level, we find 67% currently participating. Therefore, should they complete their courses successfully, the target would be met.
- 19 However, in considering the current rate of participation, and without detracting from the achievement, it should be borne in mind that a significant part of the improvement does in fact arise from higher participation at age 17 in fairly low level vocational courses.
- 20 All who we have met during our consultative phase - academics, the business community, public officers, politicians, students and trade unionists - concur that we should continue to invest in the further education of Malta's premier resource - our people. As will be seen below, there are however, significant differences on the form this investment should take, and on the question of "who pays".
- 21 The WG believes that the faith demonstrated by those we have consulted in the benefits of educational investment referred to above is well founded. Knowledge and advanced skills will be critical contributors to Malta's economic growth, standard and quality of living, as learning outcomes are transformed into goods and services, greater institutional capacity, a more effective public sector, a better civil society and an improved investment climate. Ensuring good quality, merit-based, equitable and efficient higher education and research, is a necessary and integral part of this transformation.
- 22 The requirement to invest in higher education is not merely altruistic. There is a great deal of academic research available which seeks to correlate national economic growth and well-being with the amount of resources committed to education. The capacity to adapt to change, disseminate and maximise rapid technological advances, is dependent on an adequate system of higher education. Improved and accessible higher education and effective innovation systems, can help Malta progress towards sustainable achievements. Higher education's role is to continue to build up Malta's capacity for participation in an increasingly knowledge-based world economy and investigates policy options that have the potential to enhance economic growth.
- 23 The contribution of higher education is acknowledged as vital because it exercises a direct influence on national productivity, which, in turn, determines living standards and a country's ability to compete and participate fully in the globalisation process.⁶ The EU has recognised (in its Lisbon agenda) that radical reforms to the education systems are required if the EU is to attain its stated objective of becoming "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion."⁷
- 24 The WG believes that statistical data needs to be approached with some caution (not least because of the sometimes varying bases on which data
-
- ⁴ The Lisbon benchmarks on Education include an 85% target (by 2010) for 22 year olds having completed upper secondary education, a 15% increase in Mathematics, Science and Technology graduates, an average rate of no more than 10% for early school leavers, and at least 12.5% of the adult working population participating in lifelong learning.
- ⁵ National Action Plan for Employment 2004, Ministry of Education Youth and Employment.
- ⁶ Scott P, (1998), *The Globalisation of Higher Education*.
- ⁷ European Council, Lisbon, March 2000.

is compiled by different institutions). Allowing for this proviso, the following summary charts (tables 8 and 9) would appear to demonstrate the following:-

- (a) Malta's overall investment in education does not compare too unfavourably with EU norms;
- (b) However, investment in tertiary education is well below these norms, indicating that a catch-up process is required;
- (c) A disproportionate amount of the "investment" is channelled into "student support", which (for the reasons set out below) in Malta's case does not result in funding reaching the educational institutions themselves.

Table 8

Education expenditure benchmarks 1999 - 2003

European benchmarks	Eurostat data			National Accounts	
	EU (Avg) 1999	Malta 1999	Variance	Malta 2001	Malta 2003
<i>Public education expenditure/GDP</i>					
Primary + Secondary/GDP	3.5%	3.1%	-0.5%	4.1%	4.3%
Post secondary/GDP	0.9%	1.1%	0.2%		
Tertiary GDP	1.1%	0.5%	-0.6%	0.6%	0.6%
Total public education expenditure/GDP	5.5%	4.7%	-0.8%	4.7%	4.9%
<i>Public education expenditure</i>					
Primary	28.0%	32.0%	4.0%	86.7%	67.8%
Secondary + Post secondary	48.0%	53.0%	5.0%		
Tertiary	24.0%	15.0%	-9.0%	13.3%	12.20%
Total public education expenditure	100.0%	100.0%	0.0%	100.0%	100.00%
<i>Public education expenditure/ Total public expenditure</i>					
Primary	3.1%	3.2%	0.1%		
Secondary + Post secondary	5.4%	5.3%	-0.1%	9.6%	9.6%
Tertiary	2.7%	1.5%	-1.2%	1.3%	1.2%
Total public education expenditure/ Total public expenditure	11.2%	10.0%	-1.2%	11.0%	10.8%
Total public expenditure/GDP	49.1%	47.0%	-2.1%	47.0%	50.0%

Notes:

1999: Key Data on Education in Europe 2002, Table IS, Pg. 183, Eurostat. Includes all direct expenditure (recurrent and capital) for educational institutions and transfers and payments for education to private entities.
 2001-2003: National Accounts 2001-2003, Ministry of Finance, Malta. includes recurrent and capital vote, Ministry of Education and Education Division, less expenditure on all student support schemes (Maintenance grants, ESTS, TAS).
 Excludes expenditure in votes of Ministry of Gozo and Ministry of Tourism.

Total public expenditure

1999: Key Data on Education in Europe 2002, Table II, Pg. 181, Eurostat.
 2001-2003: Financial Report (2001) and Financial Estimates (2003), Ministry of Finance, Malta. GDP
 2001-2003GDP: National Statistics Office (pre ESA 95)

Table 9

Direct public support (Grants and/or loans) to student/pupils as a percentage of public expenditure by level of education

European benchmarks	Eurostat data			National Accounts	
	EU (Avg) 1999	Malta 1999	Variance	Malta 2001	Malta 2003
<i>Share of expenditure on student support by level</i>					
Post secondary support/ post sec. public education expenditure	5.3%	27.1%	21.8%	33.7%	4.3%
Tertiary support/tertiary public education expenditure	16.0%	36.8%	20.8%	29.7%	32.9%
Total student support/HE public education expenditure	n/a	n/a		29.2%	29.0%

Notes:PS+T student support

Post secondary support includes Maintenance grants, TAS and PSTS for all post secondary students.

Tertiary support includes Maintenance grants and allowances to students from Gozo.

PS, T & Total HE public education expenditure

Includes all post secondary general, vocational and University recurrent and capital expenditure.

Also includes Students Maintenance Grants, TAS, ESTS and allowances for Ooze students.

Source:

1999: Key Data on Education in Europe 2002, Table 115, Pg. 209, Eurostat.

2001-2003: Financial Report 2001 and Financial Estimates 2003, Minist of Finance

VII All PS+T institutions are under severe financial pressure

- 25 All PS+T institutions are under severe financial pressure. This pressure manifests itself variously in inadequate infrastructure, overcrowding, under-investment and insufficient funds being available for basic necessities. A small number of examples will suffice to make the point:-
- The Junior College is expected to have over 3,000 students this year. The WG was told that the facility was built to house a significantly smaller population of students. The Giovanni Curmi Higher Secondary School has similar overcrowding concerns, albeit not on the same scale. These will give rise to health and safety related issues;
 - The budget allocation to the Junior College barely covers its payroll cost;
 - In the summer of this year, the University was having to impose constraints on funds for basic necessities such as photocopying paper, printer cartridges, etc. Important posts (academic and non-academic) remain unfilled;
 - The spend on books for the University and Junior College libraries is now almost zero - and subscriptions to publications are being cut back on a regular basis;
 - A number of courses being run by the University are seriously overcrowded;
 - Church school Sixth Forms resort to “special appeals” as the Government contribution to costs is not keeping up with recurrent costs, never mind allowing for on-going capital infrastructure and maintenance requirements;
 - MCAST’s infrastructure expansion plans are threatened with delay because of short notice budget cuts;
 - Strategic Plans lie fallow because of inadequate funding to secure their proper implementation;
 - The total annual budget allocation for maintenance for the Giovanni Curmi HSS (housing 1,500 students) is just Lm4,000 whilst that of the Sir M. Refalo Post Secondary complex in Gozo (560 students) is Lm700. Capital allocations for improvements are likewise minimal in nature.
- 26 In the circumstances outlined above, the existence of staff morale problems is inevitable.
- 27 Table 10 set out overleaf shows that the financial allocations extended to the PS+T institutions have not kept up with the growing student populations that they are being asked to handle. Spend per student has dropped significantly since 2001. The exception has been the spend on post secondary vocational institutions, where a significant investment has been made in building up MCAST since 2001. Elsewhere, spend is running at around 1999 levels, notwithstanding the cost increases that will have been experienced since that time.

- 28 It is relevant to point out that the increase in the University Revenue vote for 2001 included the impact of new collective agreements (academic and non-academic) implemented during that year. These agreements had the effect of adding approximately Lm2 million on an annualised basis to the University payroll costs, and Lm0.5 million to that of the Junior College. If this incremental cost is backed out of the Revenue votes for 2001 to 2004, it will serve to show a more realistic picture of the severity of the real decline in spend. For illustrative purposes, this impact is also shown on the table.

Table 10**Government Recurrent Expenditure and Spend per Student**

		1999	2000	2001	2002	2003	2004
University							
Revenue Vote	Lm'00	7,220	7,220	9,450	9,350	9,400	9,400
% increase	%		-	31	(1)	1	-
Student numbers		6,959	6,362	7,493	7,332	9,006	9,245
% increase	%		(9)	18	(2)	23	3
<i>spend per student</i>	<i>Lm</i>	<i>1,038</i>	<i>1,135</i>	<i>1,261</i>	<i>1,275</i>	<i>1,044</i>	<i>1,017</i>
Spend adjusted for collective agreement	Lm'00	7,220	7,220	7,450	7,350	7,400	7,400
<i>spend per student</i>		<i>1,038</i>	<i>1,135</i>	<i>994</i>	<i>1,002</i>	<i>822</i>	<i>800</i>
Post Secondary Vocational							
Revenue Vote	Lm'00	827	1,496	1,952	2,976	3,702	3,770
% increase	%		81	30	52	24	2
Student numbers		1,917	2,615	2,801	3,638	3,858	4,473
% increase	%		36	7	30	6	16
<i>spend per student</i>	<i>Lm</i>	<i>431</i>	<i>572</i>	<i>697</i>	<i>818</i>	<i>960</i>	<i>843</i>
Post Secondary - General							
Revenue Vote	Lm'00	3,544	3,374	4,079	3,767	3,818	3,893
% increase	%		(5)	21	(8)	1	1
Student numbers		5,033	5,191	5,122	4,970	5,169	5,339
% increase	%		3	(1)	(3)	4	3
<i>spend per student</i>	<i>Lm</i>	<i>704</i>	<i>650</i>	<i>796</i>	<i>758</i>	<i>739</i>	<i>719</i>
Spend adjusted for collective agreement	Lm'00	3,544	3,374	3,579	3,267	3,318	3,339
<i>spend per student</i>		<i>704</i>	<i>650</i>	<i>699</i>	<i>657</i>	<i>642</i>	<i>625</i>
TOTAL							
Revenue Vote	Lm'00	11,591	12,090	5,481	16,093	16,920	17,009
% increase	%		4	28	4	5	1
Student numbers		13,909	14,168	15,416	15,940	18,033	19,057
% increase	%		2	9	3	13	6
<i>spend per student</i>	<i>Lm</i>	<i>833</i>	<i>853</i>	<i>1,004</i>	<i>1,010</i>	<i>938</i>	<i>893</i>
Spend adjusted for collective agreement	Lm'00	11,591	12,090	12,981	13,593	14,420	14,509
<i>spend per student</i>		<i>833</i>	<i>853</i>	<i>842</i>	<i>853</i>	<i>800</i>	<i>761</i>

Note: 2001 numbers include impact of new collective agreement, including arrears at the University and Junior college.

Source: NSO data and National Accounts 1999-2002; 2003 NSO provisional data; 2004 submissions to WG.

VIII A Success Story that threatens Failure

- 29 At the highest level, the principal finding of our review is that the key PS+T institutions in Malta and Gozo are facing severe financial difficulties. Paradoxically, these difficulties have been brought about not by policy failure, but by policy success. However, the evolution of a deliberate policy directed at encouraging higher participation in PS+T education has not been matched by an evolving change of policy towards (and indeed within) the institutions themselves. Briefly put, as a result of this mismatch, a success story of policy brings in its wake significant threats and challenges to the institutions concerned.
- 30 The success story of policy referred to above has been that adopted by successive administrations to encourage higher participation rates in PS+T education. This success has been achieved as a result of several factors:-
- (a) the key 'jump start" instrument was probably the implementation of the Students Maintenance Grant (SMG) or stipend. First introduced in 1988, this policy extends financial support at various levels to all eligible students attending designated Sixth Form, Post Secondary and Tertiary institutions;
 - (b) a growing recognition within Maltese society, institutions and business of the benefits of PS+T education, one that successive Governments have been active in encouraging;
 - (c) a changing cultural attitude towards PS+T education, in part fostered by (a) and (b) above, and by the peer pressure generated by the higher participation rates themselves.
- 31 The success of this policy is illustrated by Tables 5 and 6 above which demonstrate clearly the increases in the rates of participation; an estimated 67% of 17 year olds are now participating in PS+T education compared with 43% five years ago. Continued participation at age 19 has increased from 31% to 44% over the same timeframe.
- 32 The WG shares the view of successive administrations that the encouragement of higher participation rates in PS+T education is wholly laudable, and is one that should be sustained. Indeed, as noted, notwithstanding the growing levels of participation, Malta still lags behind other European countries, and remains short of the Lisbon objectives. Furthermore, by European standards, Malta's early school leaver,⁸ or drop out rate, remains high.
- 33 However, as indicated above, the successful policy referred to carried in its wake the seeds of its own potential destruction, due to two key factors.
- 34 Firstly, the policy decision to use the Student Maintenance Grant (SMG) to encourage participation in higher education is, in the view of the WG, essentially a decision of social policy rather than one of education. Even if this statement can be challenged, what is beyond dispute is that, in Malta's case, the monetary spend on SMG does not of itself bring a single cent into the PS+T institutions themselves.
- 35 Indeed, (in the absence of a steep demographic decline) the logical extension of a successful attempt to encourage higher participation rates will be higher absolute numbers attending these institutions; and, of course, there are cost and infrastructural implications that will naturally flow from these increased numbers.

⁸ According to the Lisbon criteria, "early school leavers" are defined as those students who leave school before completing higher secondary school education.



- 36 In view of the above, the question must be asked as to whether the SMG should be treated as educational spend insofar as Government estimates are concerned. Essentially, if the Education vote or “envelope” is under financial constraint, the more that is expended on SMG (and absent a change of policy, it is not a “controllable” expense) the less becomes available for the PS+T institutions themselves - when, following the logic outlined above, the natural product of higher SMG spending will translate into a requirement for a higher allocation to the institutions themselves.

- 37 Secondly, it is clear to the WG that, over the years, there has been inadequate linkage between the policy framework decision to encourage higher participation in PS+T education, and the financial ramifications thereof. As a result of this, the institutions find themselves in the invidious position of having to cater for growing student populations without a corresponding (but not necessarily proportionate) increase in funding.

IX The Systems of Funding PS+T institutions require radical revision

- 38 The current system and methodology of funding PS+T institutions has passed its sell-by date, and requires radical revision. It is the firm opinion of the WG that Governments need to match educational ideology or rhetoric with a corresponding financial commitment. If Malta is to continue to encourage higher levels of PS+T education (and it is the unequivocal view of the WG that we should), then we must be prepared to back this encouragement with the commitment of matching funds to the institutions. What cannot be allowed to happen is a continuing increase in the numbers of students attending the PS+T institutions, and flat or even decreasing budget allocations being made available to the same.
- 39 In summary, the stark and relentless logic of the broad linkage between the number of students attending the institutions and the funding that necessarily needs to be made available to them, leads one inexorably towards a financial model of formula funding. Formula funding can be described as a system whereby “the funding follows the student”.
- 40 Formula funding is a methodology that relates the level of funding to be received by an institution by reference to the number of students attending thereat. However, it is important to note that formula funding should not be regarded as an open-ended commitment or as a “blank cheque”. Various levels of sophistication can be built into a basic model to recognise, for example, that different courses or degrees have different cost levels attaching thereto (for instance, it costs more to educate an engineer or a doctor than a language teacher or a theologian). Another refinement could be to incentivise institutions to promote particular courses, or to admit particular categories of student. It can therefore be used to assist in securing clearly identified policy objectives.
- 41 Funding limits can also be built into the system by placing ceilings on funds available for particular degree places, if so desired. With the formula funding approach, it is possible to calculate the funding necessary to sustain an institution. Demographic statistics and expected participation rates make it possible fairly accurately to estimate the likely level of demand for places, and enable essential long term planning processes to be put in place.
- 42 A formula funding methodology is often applied to the basic running costs of an institution - but would not be the only funds available thereto. This approach would often be supplemented by additional funds (capital, research and otherwise) being available on a (usually competitive) “bid and justify” basis.
- 43 Due to Malta’s size, there is only one University and two main vocational institutions (MCAST and ITS). The assumption in the past has been that there will be room in these institutions for all those who wish to attend, providing they have the necessary academic qualifications. If this policy is to continue, the WG believes that Government is obliged to face up to the reality of the necessity of enabling the institutions to balance the equation of student numbers and cost.
- 44 If, due to budget and/or other constraints, the Government is unable to provide the institutions with the funds necessary to enable them to provide the correct quality of educational product to their students, then part or

parts of the components of the equation will need to be adjusted or rebalanced. The variable components are, of course, either the restriction and/or modification of courses, student numbers, and/or locating other sources of finance. The latter could include (a) the ability of the institutions themselves to develop other sources of finance, and (b) a review of the current SMG and tuition fee regimes.

- 45 The WG wishes to emphasise the imperative of the essential need to keep the equation in balance. It has to be recognised that increasing student numbers have a direct (but not proportionate) impact on costs and physical infrastructure. If equilibrium is not maintained, then the inevitable consequence (as we are witnessing), is that quality will suffer, courses will not be held, and the institutions will slip into gradual decline.
- 46 It is the view of the WG that it is not acceptable that budget allocations are fixed without regard to student numbers and institutional needs. Nor, in today's world, is it acceptable that budgets be fixed on a year to year basis. Higher education institutions are here for the long term; they are able to forecast demand (and therefore costs) with a reasonable degree of accuracy. It should therefore be possible to develop rolling three to five year capital and recurrent expenditure budgets, and for Government to signal agreement or otherwise thereto. This approach will enable the institutions properly to plan for the long term.⁹

⁹ Insofar as the University is concerned, this approach is catered for under a 1997 amendment (section 29) to the Education Act. It has not however been implemented.

X Effective Accountability is essential

- 47 In the opinion of the WG proper and effective accountability is an absolute pre-requisite for publicly funded PS+T education. This accountability should be both quantitative and qualitative.
- 48 It is the view of the WG that the standards of accountability currently in place are wholly inadequate, and in need of a radical revamp. We would caution that it would be wrong to underestimate the scale of the endeavour and leadership necessary to introduce an adequate framework of multi-dimensional qualitative and quantitative accountability.
- 49 The WG does not believe that it is sufficient for the institutions to submit their accounts for independent audit or other financial scrutiny. Nor is it appropriate to measure "success" merely by the numbers attending the institutions or graduating therefrom. Proper quantitative accountability necessitates ensuring that money is being well spent. Therefore, financing needs cannot and should not use as a starting point the actual or budgeted spend for the previous year, adjusted by what is deemed to be an acceptable level of inflation or "creep".
- 50 Any potential move to a formula funding basis of financial support necessitates a fresh zero based budgeting approach - one that sets out to determine what actually needs to be spent to deliver the right quality of PS+T education to the expected student population. This process should serve to flush out those difficult issues that were so often raised during the consultative process of class sizes, administrative overheads, headcount, part time lecturers, equipment requirements etc.
- 51 By definition, qualitative accountability involves ensuring that the quality of the educational product - and the relevance of the educational institution - is up to the expected standards. The WG does not believe that the current reliance on external examiners as a measure of quality is sufficient.
- 52 The WG has no desire to interfere with academic freedom or autonomy. However, it is necessary to reconcile managerial accountability with academic independence, and not to avoid one in the name of the other. It is also necessary to recognise that academic brilliance may not necessarily be accompanied by administrative competence and prowess. The institutions need to ensure therefore that they have in place organisational structures that enable academic achievement and management efficiency and competence to co-exist and work in tandem. It is essential that the institutions remain relevant and responsive to change and innovation, and it is healthy that they are challenged in these regards on a regular basis.
- 53 There are a series of recognised measures and benchmarks that can be applied in the accountability process; some are objective, some require the exercise of subjective judgement. This report is not the place for a comprehensive listing of the measures and benchmarks that should be present in a multi-dimensional approach to quality in higher education. They would extend to all functions and activities and would include proper student input and assessment, input from the employment and institutional market, education audits, facilities and buildings, and measures such as cost ratios, class sizes, lectures missed, assessments submitted, grades achieved, and, of course, examination results. In carrying out qualitative assessments, it should be borne in mind that education at PS+T institutions should be more than just academic endeavour; it should be a much broader social, educational and formative experience.

- 54 A significant advantage of the implementation of a proper system of accountability is that Government should be able to devolve a high degree of operational responsibility to the institutions themselves. Government should then be able to move towards assuming a more suitable strategic role.
- 55 The same can be said of the institutions themselves and their governing bodies. The predilection for large governing bodies which concentrate on matters of operational minutiae serves to impede the development of strategic vision.
- 56 It is the view of the WG that the challenge facing the PS+T institutions will manifest itself last of all in the academic results - and that it would be a serious mistake to use the results currently being achieved as a reason for complacency in tackling the much needed agenda for reform.
- 57 Comments that a University may be "too academic", "too theoretical" or "not practical" are a frequent and long-standing refrain, which would not need to be taken too seriously. However, during our consultations we could not help but be struck and seriously concerned by the almost universal view that the University was regarded as being inflexible, non responsive, non-reactive, unchanging, unhelpful and operating in something of an orbit of its own.
- 58 In fairness to the University, the financial and legal constraints within which it has been obliged to operate have placed disproportionate burdens upon its administration, and have necessarily hampered its ability to respond. One cannot expect responsiveness from an institution which faces unlimited expectations and demands at one end of the spectrum and receives uncertain financial and political support at the other. Clearly, there is a need to address this disequilibrium. Having said that, the University would do well to recognise the reality of current perceptions, and to take active steps to address those valid concerns that give rise to these views.

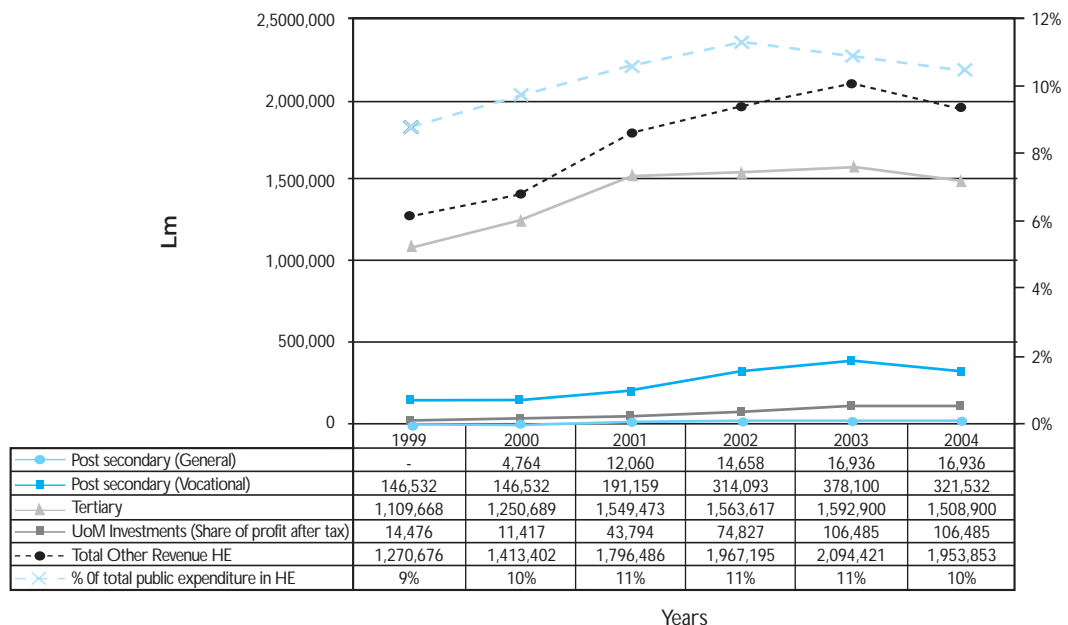
XI The components of financing Post Secondary and Tertiary Education

A) Other sources of Revenue

- 59 As will be seen from Table 11 below, the PS+T institutions are highly dependent on Government funding. The degree of reliance is much higher than equivalent institutions in other countries. (for instance, in 2002 across the UK as a whole, Higher Education institutions rely on public finance for 62% of their total income¹⁰). In fairness, this level of dependence is, in part, because of the restrictions imposed by the Education Act. It is also true that there is little tradition in Malta of educational endowment or of business support for PS+T institutions. Finally, there has, in the past, been little incentive for the institutions themselves to look elsewhere for their funding.
- 60 The WG recognises the limitations of Malta's modest economic base and the profile of the majority of business establishments here. These will inevitably impact on fund raising opportunities, as both factors will have a restrictive effect on the ability of institutions to raise other sources of income in material sums.

Table 11

Other revenue generated by HE institutions
as a percentage of total public expenditure on HE (recurrent + capital)
excluding expenditure on student support



Source: Submissions to HEFG;

Note: tertiary outside revenues include MATSEC examination fees, registration and foreign student tuition fees, and other part time course charges. it includes an estimate of net income (after tax) that would derive from material UoM investment companies.

¹⁰ Introduction to the Higher Education Funding council for England, April 2002.

61 Notwithstanding the difficulties attendant on developing other sources of revenue, it is clear that the institutions - particularly the University, would do well to attempt to develop initiatives in this area, so as to gradually reduce the level of dependency on Government funding. However, we expect that this is likely to be a slow and gradual process. The question of tuition fees for national students, the main source of alternative income to many universities overseas, is addressed separately below. Tuition fees to (non EU) foreign students is a direct source of income. However, the further development and protection of this source of income (for which there may be considerable potential) will first require that many of the infrastructural and organisational issues at the University referred to in this report be addressed.

B) Financing PS+T education - Who Pays?

62 The continuing and sustained financing of PS+T education in Malta was the core theme of our consultative process. Nowhere did we find anybody who questioned the desirability of continuing encouragement for higher levels of participation in the PS+T sectors. There is widespread recognition of the benefits of higher education to society, the economy, and the nation as a whole. Like those we consulted, the WG is wholly supportive of the proposition that higher education will produce social, economic and civilising benefits. The question to be asked however, and one that stimulated a great deal of discussion, is, of course, who pays?

63 The "who pays" question can be sub-divided into four distinct sub-sets of questions as follows:-

(a) Firstly, Government will need to determine whether it believes that it can continue in its role as the (almost) sole provider of finance to the PS+T sector, or whether it feels that the needs of the sector are, or will become, such that other sources of funds need to be located. Having done this, it will be necessary to address items (b) to (d) hereunder.

(b) Should the current SMG system continue undisturbed, or should it be amended; in particular, should it continue to have universal application?

(c) Should tuition or registration fees be introduced?

(d) Should the PS+T platform be "tilted" in any way?

64 The questions of SMG and Fees are not, in the opinion of the WG, ones on which there is a "right" or a "wrong" answer, but rather one of a series on which the Government needs to make choices as to how the limited fund of national resources should be deployed. Clearly, if unlimited financial resources were available, it would be nice to sustain a tuition-free, SMG supported regime or environment. However, it is equally clear that unlimited financial resources are not available, and that the Government has to make some difficult choices in their allocation. What is also clear is that starving the institutions of required funding is emphatically not the answer.

65 Before dealing with the matter of SMGs and tuition fees, and in order to set the discussion in context, it is appropriate by way of introduction to outline in the briefest terms the systems currently in force - and to compare these systems with those in other countries.

C) *The current system*

- 66 The current system is one whereby well over 95% of Sixth Form or equivalent places in Malta are free of any tuition charges (“tuition free”), as are all qualifying full time post secondary vocational and tertiary courses. Furthermore, all eligible students attending Sixth Form, and full time post secondary and tertiary courses are entitled to receive the Student Maintenance Grant or Stipend. The current entitlements (excluding supplementary entitlements and payments under the TAS and ESTS schemes) are as follows:-

Table 12

Current SMG structure

* = disbursed via SmartCard for grant* expenditure	Monthly grant (October to June)	Annual grant *	Total Annual support	One off eligible
COURSE	LM	LM	LM	LM
Sixth Form	40	100	460	
MCAST and ITS	40	100	460	
University	60	200	740	400
University - (certain specified IHC and BSc courses)	90	200	1,010	400
Post Graduate	60		540	

- 67 In summary, the vast majority of students in Malta are able to attend Sixth Form, and vocational or university courses tuition free, and also receive a maintenance grant for the duration of their (full time) courses.

D) *International comparators*

- 68 We set out on Table 13 overleaf a high level summary of the position that pertains in OECD countries on tuition fees and student support. The table also shows the level of participation in Higher Education. For the purposes of this summary, “Higher Education” represents students continuing in education at tertiary (University or equivalent) level. It will be seen from an examination of the table that the no-fee plus student support regime that is extant in Malta is generous by comparison. On the other hand, it could be argued that the relatively lower participation rate in higher education points to the need for continued encouragement. No data is readily available on the extent to which other countries provide SMGs for Sixth Form attendance. Increasingly, attendance at Sixth Form is being seen as a natural extension of secondary school education, and the inclination of the WG is to question the continuing universal application of the SMG to this category, other than under specified socio-economic criteria.

E) *Student Maintenance Grants*

- 69 During our consultative process we encountered differing views on the

Table 13

HIGHER EDUCATION FUNDING - INTERNATIONAL COMPARISONS¹¹

Country	% HE part. rate (post 6 th form)	Tuition fees charged?	Can fees be deferred?	Student support schemes
Australia	65	Yes	Yes	Yes - means tested. Other support on loan basis
Canada	n/a	Yes	No	Yes - means tested in some provinces. Other support on loans basis
Denmark	44	No - only Open Univ.	N/A	Grants and loans through state scheme
France	37	No (Registration charge only)	N/A	Yes - means tested, and conditional on results
Germany	32	No	N/A	Yes - means tested, part loan, part grant
Rep of Ireland	38	No	N/A	Yes - means tested grants system
Italy	44	Yes - complex formula	No	Yes - means tested, part loan, part grant
Japan	41	Yes	No	Yes - loans available for fees and living costs
Netherlands	54	Yes	No	Yes - means tested. Basic and supplementary can become non repayable if performance criteria met
New Zealand	76	Yes	Yes	Means tested and grants available. Loans available for fees
Spain	48	Yes	No	Means tested grants system in place
Sweden	69	No	N/A	System of grants and loans available for living costs
USA	42	Yes	No	Means tested fee relief in certain states. Loans and merit based scholarships also available
United Kingdom	45	Yes	Yes	
MALTA	26	No	N/A	Universal SMG system

¹¹ Document prepared by UK department for Education and Skills, 2003

question of the SMG system. Essentially, in an economic environment where there are (and will continue to be) strongly competing demands on Government funds, most parties we consulted regarded the continuing universal application of the SMG as being open to question. Most parties favoured a system where the SMG would be made available, **where needed**, on a means tested basis. Nobody questioned the principle of support where it could be demonstrated that this support was- required, although some parties did question how well means testing would work in a Maltese environment.

- 70 The KSU on the other hand took a strongly opposing view to any changes being made to the SMG system, regarding the grant as providing students with independence, and enabling them to elect to continue to pursue higher education irrespective of parental views. The KSU pointed out to the WG that participation in PS+T education was not just a question of parental means, but also of parental attitudes.
- 71 There was much discussion as to the extent to which the SMG was in fact being directed to educational needs, with many anecdotes about the difficulties students have parking their cars at University, or about the funds being used for clothing etc. However, the WG regards this area as being something of a smokescreen or distraction from the main debate, which is to address the question as to whether Malta can and should continue with the current SMG system.

F) Tuition fees

- 72 It is apposite to address the matter of tuition fees at this stage. Perhaps understandably, some of those we consulted saw an inextricable linkage between the two. However, in contrast to a readiness from most constituencies to revisit the current SMG system, there appeared to be a lesser willingness to opening the doors to tuition fees. Once again, the exception was the KSU. Whereas the KSU made it absolutely clear that their preference was for a “no change” policy, they did indicate that if any change at all was essential, their (reluctant) preference would be for the introduction of modest tuition fees as opposed to any radical changes to the SMG system. A survey carried out by the KSU seemed to indicate the student members making a lesser differentiation than their executive between the two categories.

Table 14

KSU Survey findings		
Level of Tuition Fee (pa LM)	“No” response %	“Think” response
100	2.1	22.9
500	17.4	39.7
1500	42.4	27.6
50% Smart card reduction (Lm165 pa equiv)	4.7	29.7
50% stipend + 50% Smart card reduction (Lm435 pa equiv)	17.9	27.1
“No” Response = would not attend University if change implemented. “Think” Response = would have to give careful thought		



73 An interpretation of table 14 would be that the introduction of a tuition fee of around Lm500 pa (or an equivalent SMG adjustment) would cause approximately 18% of students not to attend University - unless, of course, alternative support was to be available.

G) *SMG's and Tuition fees - options available*

74 As noted above, the questions of SMG and Tuition fees are not, in the opinion of the WG, ones on which there is a "right" or a "wrong" answer, but rather one of a series on which the Government needs to make choices as to how the limited fund of national resources should be deployed. However, it is also clear from a study of recent international trends that, whereas by no means universal, there appears to have been a growing move towards the introduction or increase of tuition fees, and to student support being made available on a means tested basis - with student loan support being available where appropriate.

75 The reasons for this trend of seeking to widen the base of funding for higher education institutions are manifold; in part it has been driven by the need to get badly needed additional funding to the institutions as they face up to rapidly growing participation rates; in part they have been justified by the fact that OECD studies have consistently demonstrated that graduates are maintaining their ability to earn significantly more than non-graduates, in spite of rising participation rates, a finding largely supported by local tracer studies.¹² In this scenario, tuition fees can be regarded as an investment towards the individual's future earning power. As already noted, student loan schemes, where available, are generally designed to defer or bridge the costs involved. Some have also argued that the payment of tuition fees will result in a higher degree of application on the part of students - an argument that is rejected by the KSU.

76 In those jurisdictions where change has been implemented, the aim has, in all cases, been to increase the personal contribution to the cost of studies, due to the personal benefit or gain that it is deemed will accrue; at the same time steps are taken fully to respect the socially desirable principle of equal access through the provision of support where needed, by reference to the economic circumstances of the student and their families. This "part contribution" approach recognises that higher education is not just a collective (i.e. public), but also a private, investment.

77 Tables 15 and 16 show the level of expenditure on student support schemes since 1999, and compare this spend with the Revenue votes to the PS+T institutions.¹³ It will be seen from these tables that student support costs represent a very significant proportion of the Revenue vote in each and every sector.

78 We also set out on Table 17 a hypothetical model which shows the impact (at various levels) on the Higher Educational institutional revenue budgets if tuition fees were to be introduced. It will be seen from the table that whereas the likely impact of introducing fees at MCAST would be modest, the introduction of reasonable fee levels at the University and the Post Secondary (general) institutions would have a more significant impact on their revenue-raising ability.

¹² Debono M, Delicata N and Caruana N (2001), A Study of the Outcomes of Graduates 2000 in the Job Market, Malta: University of Malta.

¹³ It should be noted that comprehensive data allocating SMG costs by category of PS+T institution is not readily available. Accordingly, certain working assumptions have had to be made to allocate these costs on a best estimate basis to the Post Secondary (General), Vocational and Tertiary institutions respectively.

Table 15

Student Support Costs

Total recurrent cost on HE	1999	2000	2001	2002	2003	2004
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
Post Secondary - General	3,544	3,374	4,079	3,767	3,818	3,839
Post Secondary - Vocational	827	1,496	1,952	2,976	3,702	3,770
Tertiary	7,220	7,220	9,460	9,350	9,400	9,400
	11,591	12,090	16,481	16,093	16,920	17,009
Computed allocation of student support cost (see note)	1999	2000	2001	2002	2003	2004
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
Post Secondary - General	2,696	2,749	2,316	2,336	2,499	2,525
Post Secondary - Vocational	1027	1,385	1,266	1,710	1,866	2,257
Tertiary	4,623	4,186	4,042	3,916	4,606	4,878
	8,346	8,319	7,624	7,962	8,971	9,660
Student support as percentage of recurrent spend by sector	1999	2000	2001	2002	2003	2004
	%	%	%	%	%	%
Post Secondary - General	76	81	57	62	65	66
Post Secondary - Vocational	124	93	65	57	50	60
Tertiary	64	58	43	42	49	52
Overall	72	69	49	49	53	57

Note: It should be noted that comprehensive data allocating SMG costs by category of PS+T institution is not readily available. Accordingly, certain working assumptions have had to be made to allocate these costs on a best estimate basis to the Post Secondary (General), Vocational and Tertiary institutions respectively.

Table 16

Student support as a share of recurrent expenditure on higher education institutions

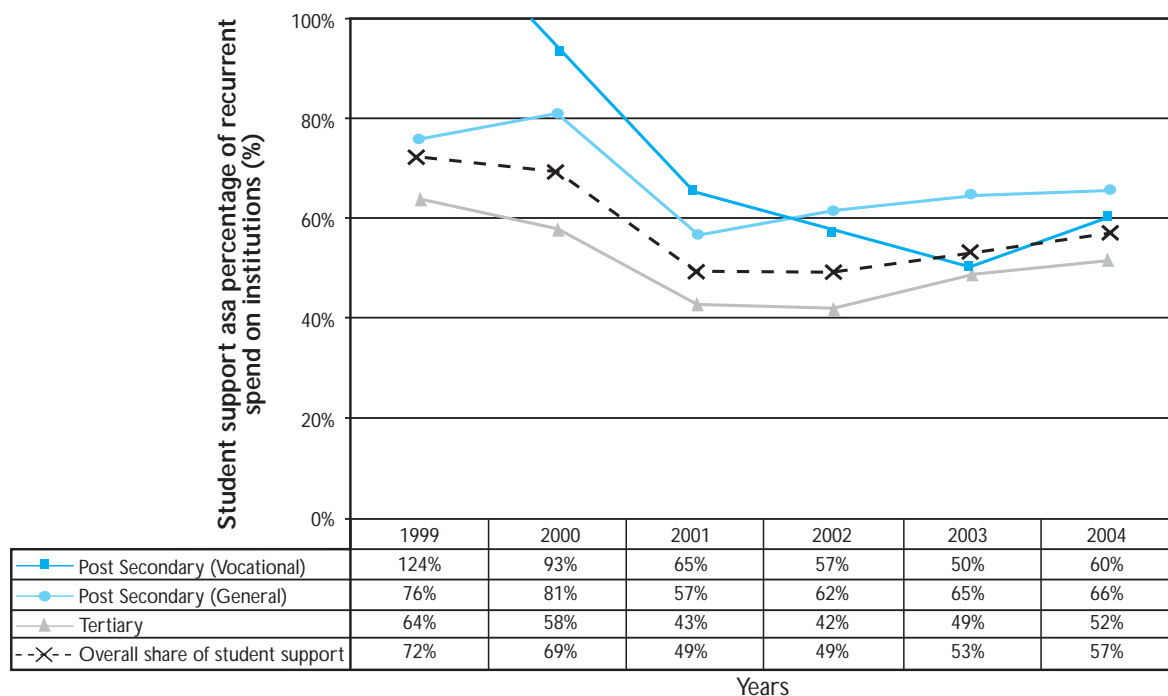


Table 17

Impact of fees HE Institutions	University		MCAST		Post Secondary General		
Student Numbers	7,250	7,250	3,200	3,200	5,300	5,300	
Hypothetical tuition fee (per annum)	Lm	300	500	100	150	180	
Assumed impact rate	%	86	75	66	50	85	70
Hypo Fee revenue	Lm	1,848,750	2,718,750	208,000	240,000	675,750	667,800
Current Government vote	Lm	9,400,000	9,400,000	3,600,000	3,600,000	3,800,000	3,800,000
Percentage increase	%	20	29	6	7	18	18

XII “Tilting” the PS+T Education platform

- 79 The WG would advocate that great caution should be exercised in any move unduly to “tilt” the PS+T education platform.
- 80 One of the questions that engendered much discussion during the consultative process was whether Government should seek, via positive discrimination or otherwise, to “tilt the system”. Basically, the debate on “tilt” is whether students should be very specifically encouraged to courses that were perceived to be beneficial, or would contribute directly to Malta’s future economic prosperity. There would be a number of ways of doing this including:-
- (a) positive financial incentivisation (e.g. via higher SMG or waived tuition fees);
 - (b) the introduction of limitations on places available on particular courses;
 - (c) a more powerful and effective counselling system for students;
 - (d) a structured use of the formula funding mechanism.
- 81 It is perhaps inevitable that at a time of financial constraint and the need to make choices and limitations, that greater scrutiny is given to courses being run, particularly by the University. During our consultations, we heard much about too many Italian and Religious Studies teachers and not enough in the fields on Science and Mathematics; too many lawyers and not enough pharmacists. We also heard of students sometimes electing to take the “soft” option.
- 82 The WG is instinctively cautious about the implementation of any system whereby a central (command and control) body is involved in an all-embracing and comprehensive designation of which particular courses are worthy of support. Our caution is informed by the following:-
- (a) Historically, central bodies have a questionable record in forecasting which particular subject areas will contribute most to the economic development and success of a nation - particularly given the long lead times involved.¹⁴ In general, market forces have tended to be a more reliable guide;
 - (b) The WG is of the very strong view that tertiary education provides graduates with skills beyond the immediate confines of their particular degree or subject area. Education and knowledge is a tide that will lift all boats;
 - (c) Students should, in the final analysis, having been placed in possession of all relevant information, be free to pursue studies in the field of their choosing, providing they meet the necessary academic criteria.
- 83 Having said the above, the WG does believe that:-
- (a) Irrespective of the emotional baggage that it carries and the heat it engenders, the University should be prepared to consider imposing modest course number limitations in certain areas (particularly where there is marked oversubscription), probably best via more demanding admission requirements;

¹⁴ When consulting with Malta Enterprise, we were told that Pharmaceutical companies were a target area for direct inward investment, and that there was an acute shortage of trained (industrial) chemists and pharmacists. However, when asked whether this sector would have been defined as a priority area just twelve months ago, Malta Enterprise accepted that it would have not.



- (b) A much more effective course choice counselling service should be put in place, and it should be extended downwards through the education system. Clearly, if certain degrees are producing a marked oversupply of graduates, then prospective applicants should be made aware of this as early as possible, and alternative courses proposed;
- (c) The University curricula should be subject to regular review, one that would include a consultative process with key stakeholders including the Government, industry, business and students. Courses should be brought on and developed in those areas for which there appears to be a strong need or demand;
- (d) Positive incentives (via the formula funding mechanism) could be put in place to encourage the institutions to put on particular courses, and to attract students to subjects where there is a shortage of applicants and a clear "public interest". However, this should be the exception rather than the rule.

XIII The Need for greater Strategic Co-ordination

- 84 During the consultative process, the WG formed the distinct view that the various institutions in the PS+T sector were each operating in their own individual orbit. There was little evidence of strategic co-ordination or co-operation between them; indeed, if anything, there appeared to be some unnecessary overlap and, in certain cases, a degree of animosity.
- 85 Healthy competition between higher educational institutions, both international and local, is not a bad thing as it serves to raise standards. However, at the strategic level it is important to ensure that the appropriate priorities are being addressed, and that any undesirable overlaps, or more importantly, lacunae, are being dealt with. This should not just be a one-off exercise; it is something that needs to be done on a regular basis in the fast changing world of education.
- 86 For example, it is important that the institutions are responding adequately to the economic requirements of the Island; likewise, it is important that they respond to the demands for lifelong learning, as the short 'shelf life' of knowledge, skills and occupations results in the growing importance of continuing education and of regular updating of individual capacities and qualifications.¹⁵ The traditional approach of studying for a discrete and finite period of time to acquire a first degree after secondary school, or to complete graduate education before moving on to professional life, is being progressively challenged by a lifelong-education model.
- 87 Graduates will be increasingly expected to return periodically to tertiary education to acquire, learn to use and relearn the knowledge and skills needed throughout their professional lives. It is important to ensure that our institutions are responding to this change, which will result in their having to organise themselves to accommodate the learning and training needs of a more diverse clientele: working students, mature students, stay-at-home students, weekend students, part-time students, day students, night students and so on.¹⁶ Clearly, flexibility is going to be key.

¹⁵ Wagner, A., (1999), *Lifelong Learning in the University: A New imperative?* In W. Hirsch and L. Weber, eds. *Challenges Facing Higher Education at the Millennium*, p.p. 134-152. American Council on Education, Phoenix. Oryx Press.

¹⁶ Gibbons M (1998); *Higher Education Relevance in the 21st Century Human Development Network*, World Bank, Washington DC.

¹⁷ It is estimated that tourism (directly or indirectly) contributes 24% to Malta's GNP. ITS total budget for 2004 amounted to just Lm530,000 or 3% of the total education spend.

- 88 The WG believes that the Ministry of Education should establish a body that will be charged with the strategic oversight of Malta's PS+T institutions. We also believe that an examination of the current somewhat fragmented structure of the PS+T institutions should be carried out. The following are some obvious questions to be addressed:-

- (a) Why is the University charged with the responsibility of running the Junior College? Should the Government funded and administered Sixth Forms be brought under a single umbrella organisation?
- (b) It would be common ground that ITS provides vocational training. Is there any reason why it is not brought within a newly invigorated MCAST? (A little out with our terms of reference, but is there any compelling reason why the ITS should occupy one of Malta's prime real estate sites - or could this be used as an opportunity to create an endowment for this chronically under-funded institution).¹⁷
- (c) The relationship and overlap between MCAST and ETC requires clarification, as does co-ordination between MCAST and the University.



XIV EU Impact

89 The terms of reference requested that the WG should consider the direct and indirect impact on PS+T institutions of Malta's accession to the EU. In view of the manifold legal and technical issues involved, it was subsequently determined that the wider EU educational impact issues should be the subject of a separate specialised study. We therefore focused on a number of basic matters that have financial implications for the institutions and the funding thereof:-

- Educational institutions are not able to impose tuition or admission fees on foreign students who are nationals of EU member states, if they do not impose the same on its own nationals;
- The Government is empowered to provide SMGs to Maltese students alone, **provided** that such a grant is purely social and not educational in nature;
- In this regard therefore, it is important that all elements of any SMG system should fall under the category of "social" rather than "educational" support. Otherwise, any educational element may be challenged as also having to be made available to EU students;
- Institutions cannot impose a *numerus clausus* that only applies to the intake of foreign students, as such a measure would be regarded as being discriminatory;¹⁸
- The retention of a Maltese language admission requirement is permissible where training leads to a professional qualification - but the authorities can retain discretionary powers to relax this requirement;
- There are a number of EU supported programmes in which PS+T institutions may be entitled to participate. A number of EU structural funds are specifically directed at infrastructural assistance, which could embrace education. It is understood that the Government has established a special unit charged with examining the potential accessibility to such programmes.

¹⁸ On a point of interest, less than 40 EU students were admitted to the UoM in the October 2004 intake. However, this is not necessarily an indication of what numbers might apply in future years.

XV Next Steps

- 90 The key findings of the WG have been detailed above, and it is not proposed to repeat them in this concluding section. This section sets out a sequence of steps which the WG recommends should be taken as a way forward to address the identified issues. These are as follows:-
- (a) Government should set up a body charged with the strategic oversight of the PS+T educational sector. This body should review the current fragmented structure of the sector referred to above. It should also consider as a matter of urgency:-
 - i. Improving links between the institutions, government and the business community
 - ii. Reviewing the student (academic choice) counselling services currently in place, including those at the secondary schools level.
 - (b) A policy decision is required from Government as to whether it believes that it can continue in its role as the (effectively) sole provider of finance to the PS+T sector.
 - (c) In considering (b) above, it should be recognised that the PS+T institutions are under severe financial pressure, and that additional funding, capital and recurrent, is likely to be required. This report dwells at some length on the imperative of keeping the equation of funding, student numbers and quality in equilibrium. In this regard, the *status quo* in unilaterally withholding required funds from the institutions is not viewed as a viable option.
 - (d) Irrespective of whether Government is to be the sole provider of funds or otherwise, the provision of funding to the PS+T institutions should evolve to a formula funding framework. The Government should work with the institutions to develop a framework that is appropriate to the individual institutions and current circumstances, and secures the appropriate level of educational quality. This process will necessarily take account of item (e) and (f) below.
 - (e) As part of the process referred to in (d) above, Government should require the institutions to develop strategic plans and to submit these for approval together with three-year, zero-based, capital and (recurrent) expenditure budgets.
 - (f) Concurrently, Government should also ask the institutions to submit for approval comprehensive frameworks of qualitative and quantitative standards of accountability.
 - (g) If Government's view is that the time has come for the financial burden of higher education to be shared, then the current SMG and tuition fee regimes should be reviewed. As noted in this report, alternative systems could include the following, (or a combination and/or variation thereof):-
 - I. Reviewing the universality of the current SMG system, and making it available only on certain specified socio-economic criteria;
 - II. Considering the implementation of tuition fees (with the appropriate safeguards) in some or all of the institutions;

- III. In considering (I) and (II) above, regard should be had of the EU accession impact section, and, in particular, to the observations that whereas Governments are able to provide “social” assistance to its nationals, “educational” assistance would need to be made available to all students who are EU nationals. This would militate towards a tuition fee regime the impact of which is mitigated by appropriate social support provisions.
 - (h) The WG advocates a cautious approach to any radical “tilting” of the PS+T educational platform.
 - (i) The University and MCAST should be asked to submit a plan for developing the raising of other sources of funding, and working more closely with Government and the business community. (For the purposes of this recommendation, other sources of funding would exclude Government funding and any tuition fees applying to national and EU students).
- 91 Many of the recommendations set out in this report call for substantial changes to current practices. Some of these changes will require further consultation, and the development of substantial and detailed implementation plans. Realistically, instant, overnight solutions are not available. A major reshaping of the PS+T landscape will inevitably take a little time. On the other hand, and equally realistically, there are very immediate financial problems that require early attention if the position is not to deteriorate further. The WG would recommend that the Government consider providing interim short term financial assistance, on the strict understanding that this should not in any way impede the rapid development and implementation of a radical agenda for change.

APPENDIX A

Parties met by the Working Group during the Consultative Process

Educational Institutions

De La Salle College
Giovanni Curmi Higher Secondary School
Institute for Tourism Studies (ITS)
Junior College
Malta College of Arts Science and Technology (MCAST)
St. Aloysius College
St. Edwards College
Sir M Refalo Post Secondary Complex, Gozo
University of Malta (UoM)

Unions and Representative Bodies

Federation of Industries (FOI)
General Workers' Unions (GWU)
Kunsill Studenti Universitari (KSU)
Malta Chamber of Commerce and Enterprise
Malta Employers Association
Malta Hotels and Restaurants Association (MHRA)
Malta Union of Teachers (MUT)
Union Haddiema Magħqudin (UHM)
University of Malta Academic Staff Association (UMASA)

Others

Hon. Dr. Lawrence Gonzi
Hon. Mr. Tonio Fenech
Hon. Dr. Louis Galea
Hon. Dr. Alfred Sant
Employment and Training Corporation (ETC)
Mr. Gordon Cordina
Malta Enterprise
Permanent Secretary - Ministry of Education, Youth and Employment
Students Maintenance Grants Scheme Board

