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## Good-bye to the Celtic Tiger?

Ellen Hazelkorn

Technological University Dublin, [ellen.hazelkorn@tudublin.ie](mailto:ellen.hazelkorn@tudublin.ie)

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council's demands have been met—after all, the most serious evidence of mismanagement since the Cardiff affair in 1987, when a university teetered on the edge of bankruptcy.

What is surprising, however, especially after the run of vice-chancellorial departures referred to above, is that the funding council has now issued for consultation a revision of the Financial Memorandum (the financial contract between each university and the funding council), giving the funding council the right to intervene directly to require a governing body either to remove its accounting-officer responsibilities from its chief executive or to remove its chief executive. Clearly provoked by the London Metropolitan case, the proposed change raises in acute form questions about university autonomy and the funding council's confidence in governing bodies, whose authority the council has in recent years been so anxious to reinforce. It must be likely that consultation will lead to some amendment, but the incident serves to illustrate a new fragility in top governance structures in universities.

In contrast to the turbulence described above, it is necessary to report that Oxford saw off the attempt by its then vice-chancellor, aided and abetted by the funding council, to impose a lay majority on its council; and Congregation, its academic parliament, remains its governing body. Both Oxford and Cambridge retain minimal lay representation in their governance but remain the two highest-ranked universities in the UK system and undeniably world-class institutions. This might suggest that while good governance is important to any university the precise forms of governance are less important than getting the academic fundamentals right. ■

## Good-bye to the Celtic Tiger?

ELLEN HAZELKORN

*Ellen Hazelkorn is director of research and enterprise, dean of the Graduate Research School, and director of the Higher Education Policy Research Unit, Dublin Institute of Technology, Dublin, Ireland. E-mail: ellen.hazelkorn@dit.ie.*

Ireland's historic transformation from a country dependent on agriculture and traditional manufacturing to one increasingly based on hi-tech and internationally traded services is the stuff of legend. By 2007, the services sector accounted for 64 percent of the gross domestic product (GDP), while industry accounted for 33 percent and agriculture just 3 percent. Termed the “Celtic Tiger” after similar transformations in Asia, the Irish experience was remarkable to both observers and participants. Tax revenue surged, enabling massive investment in public services and infrastructure. In 2006, the government surplus was 3 percent of GDP.

By 2009, all had changed utterly. The property bubble of recent years was exacerbated by incentives, a narrow tax base, and irregular practices in the banking sector. When the economy faltered, tax revenues and consumer confidence collapsed, exposing a massive public-sector deficit. GDP declined by 9.8 percent during the first six months of 2009 and is estimated to fall by 14 percent by year-end. Government borrowing is likely to rise to 13.6 percent of GDP in 2010, with unemployment at over 15 percent.

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### 2009 REVIEW OF IRISH HIGHER EDUCATION

The idea of a review of higher education surfaced in 2007. The aim was to go beyond the 2004 Organization for Economic Cooperation and Development (OECD) report on *Higher Education in Ireland*, which had arguably been overtaken by the quickening pace of globalization. Announced in February 2009, the review has been tasked with assessing higher education's fitness-for-purpose, developing a vision and national policy objectives, and identifying “focused targets” for the next five years. It has been asked to consider the number and roles of institutions, governance and accountability, level of resources, and potential for greater efficiency “having particular regard to the difficult budgetary and economic climate that is in prospect in the medium term.”

The state of the economy has introduced urgency into the process. Rather than an 18-month process involving considerable consultation, the final report is now due by December. The review is certainly timely; indeed, Ireland is probably late in tackling many issues. Even if the economy had not nosedived, the system faces many challenges—inter alia, a binary system constrained by historical circumstances and unresponsive to changing national and global requirements, low levels of internationalization, and weak governance and strategic leadership. At the same time, at the European level, increasing competition, rankings, and the possible emergence of a super-league of universities could be unfavorable to Ireland's small research community.

### CHALLENGES

A big challenge involves the system level. Some observers have viewed the challenge in terms of how many Irish universities are globally ranked according to Shanghai Jiao Tong or *Times Higher Education/QS*. But Ireland is unlikely to adopt the German, Chinese, or Japanese strategy of concentrating

resources into a small number of universities. This perspective is not only due to philosophical reasons but also based on the fact that the cost associated with a single world-class university would beggar the entire higher education budget of EUR 1.4 billion. Instead, Ireland is likely to adopt a “whole of country” approach encouraging strategic/regional clustering and/or mergers, especially at research and PhD level. This might involve the introduction of a governance system similar to US state systems to ensure greater coherence, collaboration, and efficiency and avoid duplication.

Another problem is investment. While approximately EUR 3 billion has been invested in higher education and R&D since the late 1990s, Ireland still lags behind its European Union and OECD neighbors as a percentage of GDP. In addition, tuition fees were abolished in 1997; ever since, its reintroduction has been viewed as politically contentious, especially among the middle class, which has been the main beneficiary. Today's large public deficit dictates that free tuition is no longer tenable; however, any revenue generated is likely only to replace and not increase existing core funding—whatever happens in the future. A major disadvantage, however, is the time lag in actual receipts and the high level of graduate emigration.

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Other possible issues include consideration of performance-based funding as part of institutional contracts, a research assessment exercise, a student satisfaction and learning outcome survey, further measures to both widen participation and ensure matriculation across the system, and enhanced internationalization. Academic contracts will not escape scrutiny; attention is apt to focus on the need for greater productivity and performance measurements—albeit tenure is unlikely to be affected.

#### THE SMART STATE

Parallel to the review, two other government initiatives will affect its recommendations and their implementation. In December 2008, the prime minister launched Building Ireland's Smart Economy. Drawing together a range of initiatives, the policy aims to position Ireland as a knowledge-intensive economy. While promoting higher education reform and restructuring, it endorsed heavy investment to “incentivise multinational companies to locate more R&D capacity in Ireland, and ensure the commercialisation and retaining of ideas that flow from that investment.” As evidence of commitment, in March, the prime minister endorsed a Trinity College/University College Dublin plan to establish an “innovation corridor” with EUR 650 million investment from gov-

ernment, industry, and private funding over 10 years.

Almost concurrently, the minister of finance established the Special Group on Public Service Numbers and Expenditure Programmes. In July, the policy recommended reductions of over EUR 5.3 billion and 17,000+ jobs across all government departments and agencies. Questioning the role of the Higher Education Authority was always likely, given the popular belief of too many government agencies. But the report went much further, querying major campus development projects, criticizing academic contracts, advocating institutional mergers and amalgamation of all research funding into a single agency, and questioning research programs, the number of PhDs, and specifically the link between science and technology research and innovation. As if to emphasize its point, the report was launched within hours of the deadline for the major competitive research program, worth EUR 300 million in the current round.

#### RESPONDING TO THE CRISIS

In response to the global crisis, many European countries, plus the United States and Australia, have introduced stimulus measures to inflate their economies, including investing heavily in higher education and research. Indeed, the OECD has recently urged countries to “invest in education to beat [the] recession” on the basis that “human capital will contribute to recovery.”

Ireland has adopted the opposite approach. The government wants to position Ireland for the global economic upturn by making it more competitive and attractive to investment through massive cuts in public expenditure and salaries, including restrictions on recruitment. Competitiveness is viewed in terms of reducing costs—pricing “ourselves back into the market,” according to John Fitzgerald of the Economic and Social Research Institute—rather than investment.

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Irish higher education, and the current review, is caught in this political cross fire. Whichever agenda wins out, all propositions will be measured against the Ministry of Finance's criterion of cutbacks and value-for-money. Such questions are likely to find echoes in other countries as they struggle with the aftereffects of the recession. Ireland may provide a “useful” test bed—just as the “Celtic Tiger” presented another model. ■