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A Tale of Two Strategies for Higher Education and Economic Recovery: Ireland and Australia

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A Tale of Two Strategies: Higher Education and Economic Recovery in Ireland and Australia

Ellen Hazelkorn and Vin Massaro

Abstract:

As Dirk van Damme suggested (van Damme, 2009), the effects of the global financial crisis (GFC) have been manifold and complex and affected countries differently. Australia and Ireland have fared very differently in the GFC so choices will inevitably have been influenced by their relative capacity to spend on higher education. Since 1988 Australia has had a unitary, government-regulated but independent higher education system with block funding from a combination of government allocations and student contributions. In contrast, Ireland retains a government-regulated binary system dependent upon public investment and direct government control of staffing budgets. In recent years, both countries have reviewed their higher education system (Australia 2008, Ireland 2009-2010). The Australian review forms the basis of the government's intention to further deregulate the system by removing enrolment caps, while Ireland's higher education is caught up in a drive for efficiency and rationalisation. While the GFC increased awareness of the need to invest in the knowledge economy, governments are adopting different approaches in line with their different fundamentals. It can be argued that Ireland was left with little leeway whereas Australia's far better economic position might have provided an opportunity to invest in higher education through its stimulus packages. This paper examines the policy choices that Australian and Irish governments made both before and in response to the GFC to assess how these decisions have prepared higher education for the future. We examine the situation in three main sections: section 1) sets out some of the main issues and a basis for comparison; section 2) describes the higher education and policy environment in each country; and section 3) compares and contrasts the policy choices, implications and possible impacts.

Introduction

The global financial crisis (GFC) of 2008, which started in the US, triggered a major collapse of financial institutions around the world, resulting in the failure and near-failure of major corporations, rising unemployment, evictions and foreclosures arguably on a par with the Great Depression of the 1930s. Bank solvency was questioned, credit availability disappeared, investor and consumer confidence collapsed and international trade declined. Individual countries were and continue to be threatened by a combination of public and private debt, and the behaviour of ratings agencies and bond markets. According to the UN, world gross product (WGP) fell by 2.2 per cent for 2009, "the first actual contraction since the Second World War...[bringing] the level of world economic activity ...[to] 7 per cent below where it might have been had pre-crisis growth continued" (United Nations, 2010). In response, governments and central banks introduced counter-cyclical policies and actions to stimulate their economies using various fiscal measures, monetary expansion or institutional

bailout instruments. The European Union, in partnership with the IMF, was compelled to pledge nearly €750bn to defend the euro. As governments struggled with the rapidity and depth of the crisis, the OECD argued that investment in education was critical to beating the recession, and that human capital provided significant returns on investment at individual, societal and governmental levels (Gurria, 2009).

In a review of the US government's response to the crisis, with special attention to higher education, Douglass (2010) illustrates how the new Obama administration "embraced this Keynesian moment" with the use of various stimulus packages to help states avoid having to lay off faculty and staff, reduce salaries and benefits, eliminate course offerings, or cut their budgets (Obama, 2009). The initiatives supported the government's "lofty goal of keeping America's education attainment rates competitive with global competitors", although they ultimately proved ineffective against deteriorating state budgets. California was worst hit "presenting an exaggerated yet common narrative" (Douglas, 2010, p26). Geiger (2010, p11) has made similar observations, arguing that the "economic downturn of 2008-2009 will exaggerate the fundamental problems facing American higher education and make them more difficult to address, let alone reverse or attenuate". Elsewhere there were significant budget reductions in the UK, Latvia, Poland, Hungary, Estonia, Italy and Spain; by contrast "Scandinavian countries, Germany and France continue to invest" (Douglass, 2010; Walters, 2010; Myklebust, 2010; Handley, 2010).

This paper provides a contrasting study of the experiences of higher education in Ireland and Australia. It examines the policy choices that Australian and Irish governments have taken both before and in response to the GFC to assess the extent to which these decisions have prepared higher education for the future and to assess the likely impact of the policy environment on higher education. We examine the situation in three main sections: section 1) sets out some of the main issues and a basis for comparison; section 2) describes the higher education and policy environment in each country; and section 3) compares and contrasts the policy choices, implications and possible impacts.

1. The Broad Context

Australia has always had a government-regulated but independent system, with block funding supporting university autonomy. Its binary system was restructured in 1988, to create a unitary higher education system, funded by a combination of government allocations and student contributions. In contrast, Ireland retains a government-regulated binary system dependent upon public investment and direct government control of staffing budgets. In recent years, both countries have reviewed their higher education systems (Australia 2008, Ireland 2009-2010). The Australian review forms the basis of the government's intention to further deregulate the system by removing enrolment caps, while Ireland's higher education is caught up in a drive for efficiency and rationalisation.

The two countries fared very differently in the GFC so choices were inevitably influenced by their relative capacity to spend on higher education. In addition, the political philosophy of the two governments is very different; the Australian Labor party is social-democratic while the Irish government is a coalition between a centrist Fianna Fail party and the Greens who are experiencing their first time in power. The former came to power after eleven years of conservative government; in contrast Irish politics remains wedded to the neo-liberal values which have infused government since the mid-1990s. While the GFC created different economic climates, the capacity of each country and government to respond reflects different principles. The GFC increased awareness of the need to invest in the knowledge economy, but governments adopted different approaches in line with their different fundamentals. It is

arguable that Ireland was left with little leeway whereas Australia's economic position should have created an opportunity to invest in higher education through its stimulus packages.

Despite these differences the two countries share a common lineage, and operate in competitive environments neighbouring much larger countries which are investing at or above OECD norms. By contrast, higher education expenditure in both countries has trailed OECD and EU norms. Cautious about being seen to be too close to adopting/adapting UK experiences, Ireland has looked to Australia in terms of higher education policy. Australia's market and enterprise approach to higher education has won favour with many in Ireland. Likewise, the Higher Education Contribution Scheme (HECS) has influenced Irish government thinking and a scheme was on the verge of being brought to cabinet when the smaller coalition partner cried halt. Ironically, despite different financial scenarios, higher education has not fared as well as many had hoped in either country.

2) Australia

2.1 Policy Context

Australia elected a new Labor government in December 2007 after eleven years of Liberal government. The Liberal government made significant cuts in government spending when it came to power in 1996, but as the economy slowly returned to growth, it ended its period in office with no sovereign debt and significant surpluses, some of which had been used to establish a sovereign fund and funds to support health and higher education infrastructure.

The new Labor government arrived full of optimism, with a reformist agenda buttressed by a strong economic position and outlook, based largely on the growing economy of China (and to a lesser extent India) which depended for its growth on Australian mineral resources. The government could confidently promise major reforms of the health and education systems, and announced that it would bring about an education revolution that would take advantage of the obvious benefits for national development of having a highly educated workforce and strong research sector.

When the crisis arrived, however, the fear of repeating the Labor experience of the early 1990s, when it had acted too late to avoid a recession, led the government into crisis control, committing \$46 billion in stimulus spending to shield the economy from the GFC. This was criticised for bringing the country into debt, but there was a reluctance to reduce it in case it might be too little. The government's May 2009 Budget outlined its intention to return to surplus budgets by 2015-2016 and to maintain government spending growth at 2% rather than the usual 3% to help achieve this. At the same time that Budget guaranteed increases in Defence spending until 2020 and anticipated increases in health spending. The prospects for higher education were therefore subject to significant competition.

Indeed in terms of stimulus spending, comparatively little went to higher education, despite the government's promises to redress the neglect of the previous government and its continued insistence on the importance of higher education for economic growth. At the same time, almost 35% of its stimulus package (\$16.2 billion) was allocated to a major schools building programme that was to be implemented immediately to provide employment across the community. Higher education spending was increased by some \$1.6 billion over four years, about 30% of the amount that had been recommended in a 2008 review of higher education (Bradley, 2008) and arguably not enough to support the increased enrolments that had also been accepted in the budget.

Subsequent events were to demonstrate that Australia had been far better insulated than anyone had imagined, largely due to continuing growth in China and India, which the April 2010 IMF World Economic Outlook (IMF, 2010, pp. 156-160) estimated to be 10% and 8.8%

respectively. Australia was growing at about 3% (IMF, 2010, p.49). Ireland's growth was shown to be -1.5%, with a predicted return to growth by 2011 (IMF, 2010: 43 and 54).

Australia's unemployment is about 5%, interest rates have begun to increase, and the credit rating agencies appear to be satisfied with its economic performance. In 2010 Australia had sovereign debt equivalent to 19% of GDP and a deficit equivalent to 3.1% of GDP; Ireland's comparable figures were 64% and 13% respectively.

In evidence to the House of Representatives Standing Committee on Economics on 19 February 2010 the Governor of Australia's Reserve Bank, Glenn Stevens (Stevens 2010) summarised the situation as follows:

“Happily...Australia is relatively well placed. We are located in the part of the world that is seeing the most growth. And in terms of fiscal sustainability, Australia's position is, by any measure, very strong indeed.....

“This situation is quite different from those faced by the major economies. Whereas many of them had their worst recession since World War II, we had probably our smallest...the whole crisis actually was very much a North Atlantic crisis. It was really only a global crisis for six or eight weeks, I think. The rest of it is mainly a North Atlantic story.”

So while Australia was in the unusual position to use the GFC as an opportunity to meet its higher education growth assumptions, it failed to do so in its 2009 Budget. The 2010 Budget confirmed the growth projected in 2009 but added no further spending. In the meantime, the government introduced health reform that needed to be in place before the election because it was a major promise at the previous election, leading to a further \$5.3 billion for health, with a minimum 8.3% per annum growth guaranteed from 2014-2019. The importance of these commitments is that health constitutes some 16% of government expenditure while higher education constitutes only 2.5%, so any shift in major spending areas will inevitably impact on higher education.

2.2 The Higher Education Policy Environment

Australia is a federation of States and Territories which came together in 1901 through a process involving the transfer of State constitutional powers to the Commonwealth (Federal) government. These were largely to do with foreign affairs and defence, although further powers have been referred since federation, including income tax revenue raising. States retained several powers including over health and education, although higher education funding was ceded to the Federal government in 1973. Since then, while universities have continued to be governed by State legislation, funding has been a federal responsibility, with States now earning considerably more in payroll tax from universities than they contribute to their operating costs.

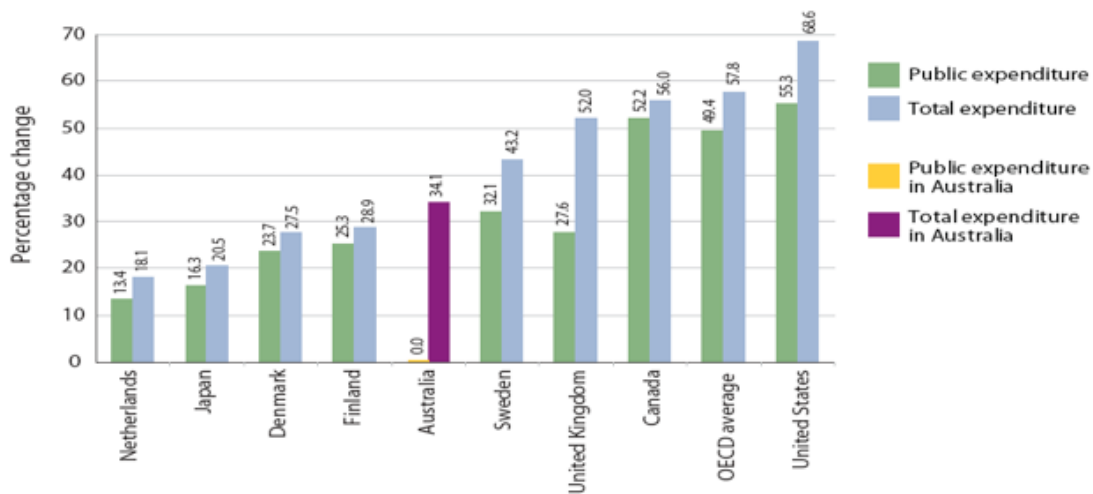
The new Labor government's early indications (including while in Opposition) were that it saw higher education as a major pillar of economic sustainability. It referred to OECD data showing that the sector had fallen behind and promised an education revolution that would not only redress the perception of government neglect that had developed in the sector under the previous Liberal government past but increase real funding. The previous Labor reforms under Minister John Dawkins had introduced HECS, requiring students to contribute some 25% of the average cost of a student place. That contribution had been rising under Labor and culminated in the new Liberal government introducing course dependent differential contributions, although these were not directly associated with the actual cost of teaching a student in that course. Law, accounting and commerce students now contribute a minimum of 84% of the total cost of their course (DEEWR 2010).

Coupled with these changes, there has been a gradual decline in per capita funding, as shown

by worsening staff-student ratios. These have been worsening consistently since the early 1980s and represent a bipartisan consensus on higher education funding, with neither major party being more favourable to higher education than its counterpart.

In the decade to 2005 Australia was the only OECD country to have reduced real public expenditure on higher education. During that time OECD nations increased public expenditure by an average of 40%. By 2007 average public expenditure in the OECD had increased by 42%, while Australia had only increased by 7% (Universities Australia, 2010; OECD, 2009a: 234).

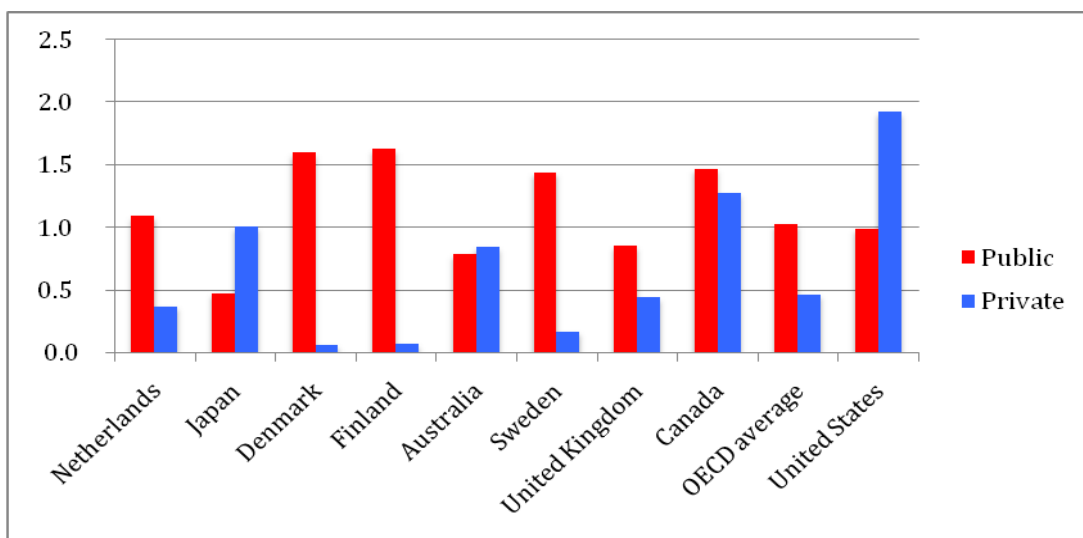
Figure 1: Percentage change in real expenditure on tertiary education 1995-2005



Source: Bradley (2008), Table 29; calculated from *Education at a Glance 2008: OECD Indicators*

Australia had also been lagging behind its OECD peers in the total percentage of GDP being spent on higher education while the degree to which it had been using private funding to support the system was higher than the OECD average.

Figure 2: Expenditure on tertiary education as a % of GDP, by source of funds (2006)



Source: *Education at a Glance 2009: OECD Indicators*. OECD 2009: Table B2.4

The prospect of a review of higher education to set the course for the government's education revolution was widely welcomed in the sector. The Report of the Review of Higher Education, chaired by Professor Denise Bradley, was published in December 2008 and the government's response was contained in its May 2009 Budget. In the meantime the government had also established reviews of Defence, Research, Health and several others, in each case with long lead times. Whatever the possibilities might have been for these reviews when they were established in early 2008, by the end of that year the GFC had ensured that any major changes involving increased expenditure were likely to be doomed.

Australian higher education reviews have a history of limited effect on subsequent policy or funding. The last review to have been fully implemented was the 1964 Martin Report, which led to the creation of a binary system and a major increase in the number of students entering tertiary education. All subsequent reviews were announced with the usual fanfare only to have their reports ignored by the governments that had initiated them. The only major policy changes since 1964 had been brought about by Ministerial reviews or White Papers, in which the relevant Minister had a clear idea of what was to be achieved and tight control over the scope of the proposed changes (Massaro 2008).

In the case of the Bradley Review, because the government was promising an education revolution, the sector was prepared for some dramatic policy directions and a long-term implementation strategy. The expectations were high, and the government's response, *Transforming Australia's Higher Education System*, (Australian Government, 2009c) implied that they had been met.

2.3 An Overview of Bradley and its Limitations

The Bradley Report lacked both a long-term aspirational vision for higher education and a sustainable funding model that would address the Report's own concern, that "...the recommendations in this report, if fully implemented, are likely to do no more than maintain the relative international performance and position of the Australian higher education sector" (Bradley, 2008: xvi).

The Report demonstrated that the system had been falling behind its international peers while its funding proposals appeared to consign it to that position indefinitely. The Report seemed focused on what the government might be able to afford rather than what the system needed to achieve what the Report and government claimed to want. While it was understandable for the Review to ensure that its recommendations were not overly demanding, not making a starker case for additional funding left the government with the capacity to argue that it had done enough even while providing less than was requested.

The title of the government's response, its tenor and the fact that it did not deliver the funding that had been proposed in the Bradley recommendations, suggest that these fears were not ill-founded. It would have been preferable had the government reduced the number of reforms but funded each adequately. Instead the government adopted the rhetoric but not the funding proposals.

The compelling public benefit argument for increased funding had been made in the government's review of research and innovation (Cutler, 2008) and in OECD reports (OECD 2007, 2008a, 2008b) that underpinned Labor's policy in Opposition. The Bradley Report argued that the higher education system had suffered significant neglect over recent years, with public spending reducing to unacceptable levels¹. The Report confirmed the

¹ It was suggested that government contributions had reduced by 10% between 1996 and 2008 (from \$12,000 to \$10,800 per student) (Bradley, 2008: 144)

government's contention that the financial situation faced by universities had been worsening; it also confirmed that Australia was losing its competitive edge in education: "In 2020 Australia will not be where we aspire to be – in the top group of OECD countries in terms of participation and performance – unless we act, and act now." (Bradley, 2008: xii).

Bradley recommended higher education funding should be rebalanced through an immediate increase in public funding (Bradley, 2008: p.149) and that funding should then be indexed. It proposed an increase of 10% in total government grants relating to teaching and learning, totaling \$1.8 billion over four years (2009-10 to 2012-2013), with indexation totaling \$1.14 billion over the same period, and full funding for the indirect costs of research, with concentration of research activity and research teaching in those institutions that could demonstrate capacity (Bradley, 2008: pp. 151ff and Appendix IX).

The Report proposed a new policy and funding framework, including an increase in the participation rate to achieve 20% participation by disadvantaged students, 40% attainment by those in the 25-34 age group, and the introduction from 2012 of a student driven funding model in which universities would be funded on the basis of the students they enrolled, with no quotas on total or discipline places – universal higher education. There would be compacts between the government and each university outlining performance expectations, and universities would be subject to a new quality assurance system that would measure standards and outcomes, to ensure that in an open-ended enrolment structure standards would not fall. It also proposed a Year 12 achievement rate of 90% by 2020. It assumed that the Education Investment Fund (EIF) "should be sufficient to meet the major infrastructure needs of the sector over the coming decade" (Bradley, 2008: p. 172), so sought no further capital expenditure.

Both Bradley and the government's response highlighted the parlous state of staff-student ratios, showing that they had worsened constantly from 12.9 in 1990, to 15.6 in 1996 and 20.5 in 2006.

However, while arguing that worsening ratios had been the cause of several of the problems identified in the Report, including student access, student retention, student experience, staff workloads and staff attraction and retention at a time of major staff shortfall, the Report's proposed increase of \$1.8 billion over the first four years would not even have taken staff-student ratios to 1996 levels, because that measure alone would have required an additional \$772.5 million per year (\$3.09 billion over four years). In fact no additional funding was provided for this.

2.4 A Critical Review of the Government's Response

Massaro has argued that the government should have modified the pace of change to reflect its capacity to fund it, because as was evident before the 2009 Budget and confirmed in the 2010 Budget the government cannot adequately support its preferred model. In its enthusiasm to make changes the government lost sight of the need to fund them adequately, yet universal access to quality higher education can only be achieved if per capita funding reflects the needs of a more diverse student population (Massaro 2009a, b, c and 2010).

Funding Reality

In the 2009 Budget the government accepted most of the recommendations for reform to underpin "our vision for Australia to be one of the most highly educated and skilled nations in the world" (Australian Government, 2009: 31). But following the 2009 and 2010 Budgets it seems that the Report's aspirations have been accepted while its funding proposals have

not. As Table 1 demonstrates, the five major recurrent items in Bradley would have required \$5.47 billion in additional funding. The government instead provided \$1.64 billion, or about 30% of the total required to maintain the sector's relative international position.

Table 1: Bradley proposals and 2009 budget funding

		2009-10	2010-11	2011-12	2012-13	Total
10% increase in base	Bradley	250	500	520	540	1810
	Budget	0	0	0	0	0
Demand driven funding	Bradley	0	70	340	720	1130
	Budget	36	74	117	265	492
Indexation	Bradley	70	200	350	520	1140
	Budget	0	58	185	334	577
TEQSA	Bradley	20	50	60	60	190
	Budget	10	13	14	20	57
Research Indirect Costs	Bradley	300	300	300	300	1200
	Budget	31	121	161	201	514
Totals	Bradley	640	1120	1570	2140	5470
	Budget	77	266	477	820	1640

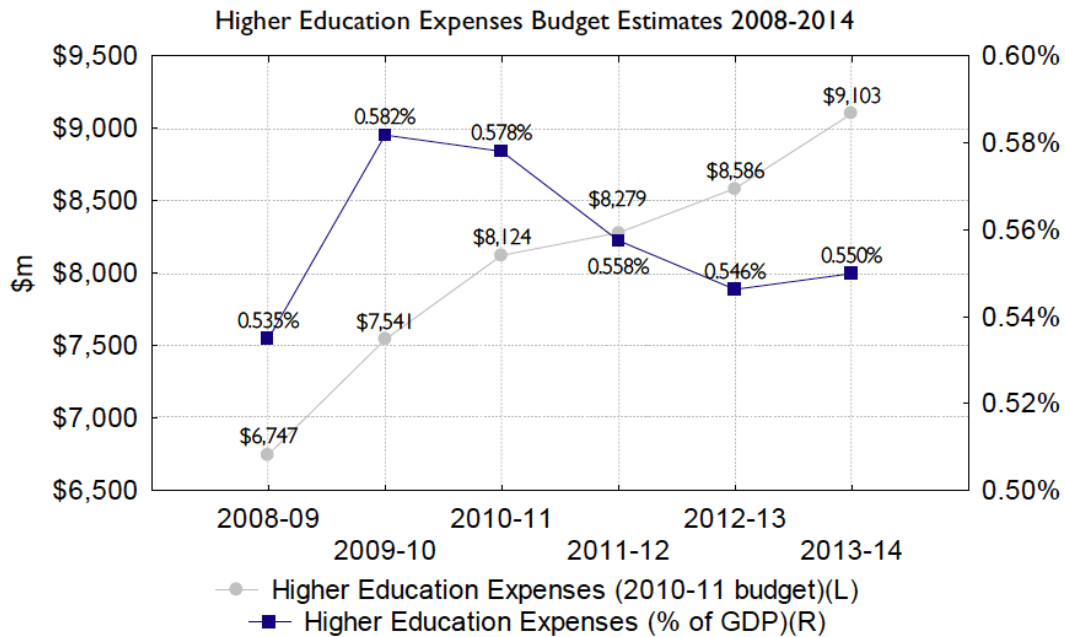
The 2010 Budget contained no increases and some \$20.8 million in savings. The government made no allocations for capital infrastructure to support the enrolment growth, while spending the capital in the EIF on a range of stimulus measures, so that by 2010 there was little left in that fund and little chance of additional capital until the budget is returned to surplus (Australian Government, 2010a,b; DEEWR, 2010).

Universities Australia, in its 2010 budget submission (2010), made a cogent argument for the government to demonstrate the seriousness of its convictions and rhetoric by fully implementing the Bradley recommendations from 2011, recalling Bradley's injunction about the modest net impact of full implementation. It based its argument on research it had commissioned from KPMG Econtech (2009; see also 2010b) showing that full implementation of the Bradley recommendations would provide a 6.4% increase in GDP by 2040 – \$163 billion in 2010 dollars. That this was no mere rhetorical flourish, it was interesting to note that the Minister used a study by the same company (KPMG Econtech 2010a) to demonstrate the benefits to the economy of her recent education reforms. That report, which models the effects of implemented policies, shows that by contrast the higher education reforms will only achieve an impact of some 1.7% (KPMG Econtech 2010a: 43), or less than 30% of full implementation.

While funding does increase over the forward estimates period, due to the more limited level of indexation, it continues to fall as a proportion of GDP, with little likelihood that Australia will be approaching its international peers in the foreseeable future. The Indexation total includes government expenditure as well as the additional HECS contributions that students will make as a result of HECS being indexed at the same rate.

Universities Australia's update on higher education expenditure as a proportion of GDP, following the 2010 federal budget, shows that the sector will be facing a further period of benign neglect.

Figure 3: Higher education expenditure as a proportion of GDP (includes Education Investment Funding and Research Funding)



Source: Universities Australia (2010); 2010-11 Budget Paper No 1 2010-11 Table 7 p. 6-15 and Table 4 p. 10-9

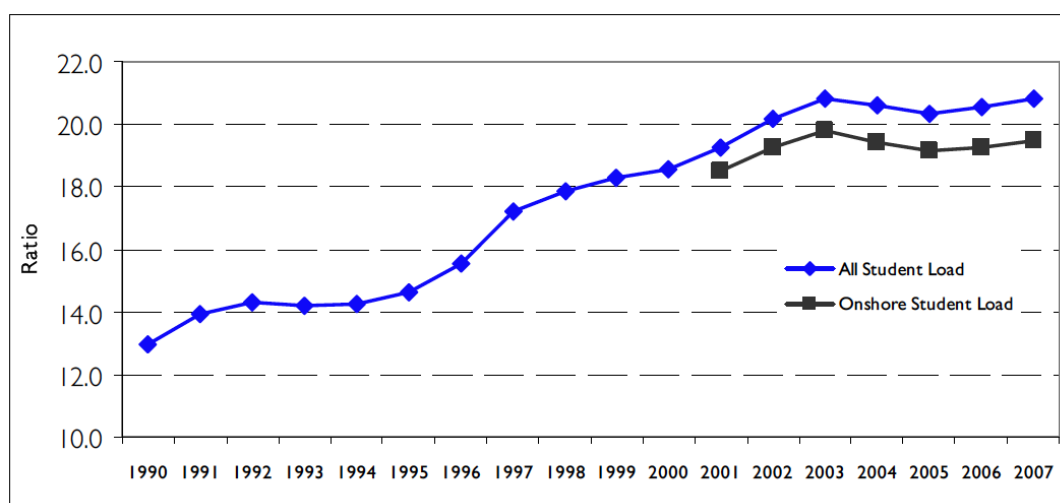
Projected student enrolment targets and funding do not appear to reflect the enrolment increases that might be expected through the removal of enrolment caps and student-driven funding. In explaining the increases in funding, Budget Paper 1 (3-20) states that rises in “Higher Education Support expenses, by \$671 million in 2010-11 (\$2.1 billion over four years), [are] mainly due to a significant increase in enrolments at universities in 2009 and 2010, and a further projected increase in enrolments in 2011” – in other words the increases in 2009 and 2010, following the Government’s decision to lift the cap on funding for over-enrolment from 5% to 10% in 2010 and 2011.

While the government has since confirmed that it intends to introduce legislation in 2011 to give effect to demand driven funding from 2012 and that student enrolment estimates will be adjusted to reflect actual student demand from that year, there is some unease in the system that this constitutes an intention rather than firm policy. The fact that forward estimates show that demand-driven funding has also been reduced to half the amount proposed in Bradley, while the student numbers have remained the same, is likely to be a cause for continuing uncertainty. That the Education Minister has recently been promoted to Prime Minister, and an election is likely to be called at any time only complicates matters further.

Staff-Student Ratios

The total increase in government supported undergraduate and postgraduate places over the forward estimates is about 38,000 or 8.1%. Funding per student increases by a total of 6.5%, meaning that staff-student ratios are unlikely to improve.

Figure 4: Student to teacher ratio, Australia, 1990 - 2007



Source: Universities Australia (2010); DEST Higher Education Student and Staff Statistics 1990 to 2000 and DEST/DEEWR Unit Record Files 2001-2007; Bond University Management Report August 2008

Staff-student ratios have in fact been worsening since 1980. Funding a return to reasonable staff-student ratios would cost between \$770 million and \$1.45 billion per year depending on whether the 1996 or 1990 levels are chosen.

Table 2: Funding SSRs at 1990 and 1996 levels (constant 2006 enrolments = 674,000 EFTSL)

	2006 Levels	1996 Levels	1990 Levels
SSR	20.5	15.6	12.9
Staff Required	32,900	43,200	52,250
Additional staff p.a. @ \$75,000		\$772.5 million	\$1.45 billion

A recent Group of Eight Universities report on student demand (Go8, 2010) argues that the government's 40% attainment target is likely to be met earlier than anticipated, simply through projected population growth and current participation levels, although it has argued that the staff-student ratio should be reduced to 1:15. Increasing per capita funding is crucial because universal higher education leads to a significant diversity of the student population and its level of preparedness for tertiary study. To provide every opportunity to succeed there must be sufficient staff to support and promote success - otherwise students who are least able to cope will have been lured to higher education but condemned to failure.

Based on achieving the 40% attainment rate (from a 32% in Bradley) and retaining a staff-student ratio of 1:20, the additional capital costs are estimated to be between \$15 billion and \$25 billion over the period to 2025. Including the costs of replacing existing building stock less the capacity of institutions to finance projects from their own resources would take the figure higher. Taking the lower of these estimates, there is a shortfall of some \$1 billion per year over the period to 2025. While this may be reduced through the imaginative use of

franchising agreements between universities and TAFE or private institutions, assuming that they have spare infrastructure capacity, it is unlikely that the projected shortfall would be significantly improved.

A residual problem for the Australian sector is that while the government has been reluctant to invest adequately to support its reforms it has also reduced the capacity of the sector to raise its own funds. While it has deregulated the supply of places it has not deregulated their price. It had also previously abolished full tuition fees for domestic students who could not gain a government subsidised place. An argument that is gaining support is that HECS should be deregulated so that top-up limits imposed by the government are abolished as part of the demand driven funding model allowing students to make choices between institutions based on price. Another option is that HECS top-up fees be deregulated in courses such as Law, Accounting and Commerce, where students are already paying for most of the cost of those courses anyway. The government is naturally concerned to avoid an increase in student debt through increases in HECS, but it seems unlikely that this situation will last beyond the forthcoming election. While Labor governments are generally opposed to student fees, they have previously succumbed to introducing limited fees when faced with the prospect of having to increase government funding instead.

While it is generally agreed that the system needs to be funded at a higher level to ensure quality and standards the argument has been blunted on several occasions in the past through the preparedness of institutions to enrol larger numbers of students at marginal funding rates. This was evident again in 2010 when government allowed for a funded over-enrolment of 10% while some universities went well beyond this, effectively taking students for no additional income. While this persists Treasury officials will continue to argue that there are still significant efficiency gains to be had from the system.

3. Ireland

3.1 Policy Context

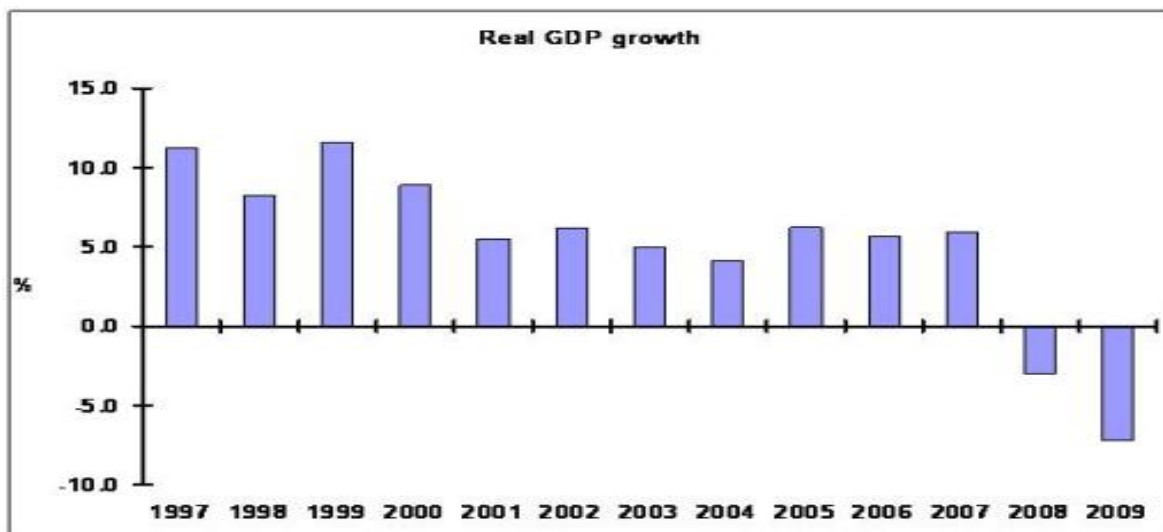
Ireland's historic transformation from a country dependent on agriculture and traditional manufacturing to one increasingly based on hi-tech and internationally traded services is the stuff of legend. According to the Economic and Social Research Institute (ESRI), by 2007, the services sector accounted for 64% of GDP. Termed the "Celtic tiger" after similar transformations in Asian countries, the Irish experience was remarkable to both observers and participants. According to the ESRI (2010a), the reason for Ireland's success included a combination of

"EU membership and access to the Single Market; Ireland's low corporation tax rate and a large multinational presence; a high proportion of the population of working age; increased participation in the labour market especially by females; a reversal of the trend of emigration toward immigration; sustained investment in education and training; co-ordinated social partnership agreements and a more stable public finance position.

During this period, tax revenue surged, enabling the government to expand expenditure on services and national infrastructure projects. In 2006, the government recorded a surplus of 3% GDP. Labour force numbers rose from 1.2m employed in 1990 to 2.1m in 2007, equivalent to a 75% increase. Unemployment fell to a historic low, averaging 4.5% in 2007, and traditional emigration was replaced by net immigration of over 67,000. Ireland had the fastest growing population in the EU, with estimates that by 2060 the population would reach 6.7m (RTE, 2007; O'Brien, 2008).

By 2009 all had changed. GNP declined by over 11% in 2009 on the back of a smaller but significant decline in 2008 (Figure 5). Government borrowing rose steeply, with debt as a percentage GDP estimated to climb to nearly 80% by the end of 2010, from 12% in 2007 (ESRI, 2010b). In addition to the GFC, Ireland's downturn is attributed to sharp deceleration in export growth and government policy which encouraged an overdependence on the housing market (Carswell, Collins and Hancock, 2010; Regling and Watson, 2010; Honohan, 2010; TASC, 2010). The banking sector, due to under-regulation, became over-exposed to the construction sector, over-inflated prices for building land and promiscuous housing building and lending (ESRI, 2010a). As domestic investment in construction fell dramatically, this had a knock-on effect on employment and tax receipts. Unemployment rose sharply to 12.9% in 2010. This figure hides the dramatic return to emigration, with over 150,000 people emigrating/expected to emigrate by 2011; 20% of graduates anticipate emigrating similar to levels reached at the end of the 1980s (Anon, 2009; Hazelkorn, 1992).

Figure 5: Real GDP Growth



Source: ESRI (2010a)

The collapse in the domestic economy exposed structural problems of over-dependence on multinational corporations, a narrow tax base and high dependence on consumption – which has all but disappeared. A decade on, this has left the country with a high level of public and private debt. The foreign-owned export sector represents over 90% of exports; in contrast, Irish-owned companies have little propensity to export. Regional policy has traditionally been viewed as *distributing the fruits* rather than as a *constitutive element of a* strong national economy (NESC, 2008, p.xviii). As a result of these national difficulties, the IMF claimed that

Given its serious internal imbalances, Ireland was especially vulnerable to the recent global shocks...The Irish economy is in the midst of an unprecedented economic correction...that exceeds that being faced currently by any other advanced economy (IMF, 2009).

A report by the National Economic and Social Development Office concluded that there were five dimensions to Ireland's crisis: a banking crisis, a fiscal crisis, an economic crisis, a social crisis and a reputational crisis (NESC, 2009). Not only did the private sector invest “in the wrong places” but the government is accused of “wasting the fruits of the boom” by spending on a range of misguided large-scale projects, failing to keep costs in check on major

infrastructural projects, and fuelling the construction/housing boom with tax credits and subsidies (Slattery and Taylor, 2010; Clifford, 2010, Barrington, 2010).

In response to the deteriorating situation, the 2009 budget was brought forward and an emergency budget introduced several months later; the former concentrating on raising revenue while the 2010 budget focused on cutting public expenditure by some 2% of GDP. The 2011 and 2012 budgets will each include reductions of a similar scale. In addition, the government has introduced an income levy, a pension levy (3-9.6%) and salary reductions (5-15%) for all public sector employees, and restrictions on social welfare, housing, education and health (RTE 2009a; RTE, 2009b). At the same time, the government is spending almost €73bn bailing out the banks.

The European Commission has played a role similar to that of the IMF, laying down stringent budgetary criteria, and recommending that

the Government specifies consolidation measures in the Budget for 2010 in line with a package announced in the April [2009] supplementary budget, and ensures an average annual structural adjustment of 2pps [percentage points] of GDP over the period 2010 – 2014 (Beesley, 2009).

The OECD (2009b) has warned that “living standards are likely to be permanently lower” and that “the adjustment, which is underway, will be prolonged and the economic recovery weak.”

3.2 *The Higher Education Policy Environment*

Higher education policy reflects this volte-face. Until recently it was dominated by questions of massification and access, getting more people well-educated; today, the emphasis is on quality and world class excellence but in challenging times. These objectives and circumstances are reflected in three concurrent – and arguably conflicting – policy initiatives: the *Strategic Review of Irish Higher Education* (2009-2010), the government’s strategy for *Building Ireland’s Smart Economy* (2008), and the Ministry of Finance’s *Special Group on Public Service Numbers and Expenditure Programmes* (2009).

Irish higher education is generally described as a binary system, although it is more complex and varied than the term usually suggests (Skilbeck 2003). There are 7 universities, 14 institutes of technology (IoT), 9 Colleges of Education, the National College of Art and Design, 2 non-state aided private colleges, and a few other smaller national institutions. The universities and IoTs have been treated differently in policy, funding and recognition. Until March 2006, the Higher Education Authority (HEA), the statutory planning and development body for higher education and research, was only concerned with the university sector, while the IoTs were governed by the Department of Education and Science. Distinctions between programme type, qualification and students further emphasize differences between the two sectors; 58% of fulltime undergraduates and 88% of research students are in the universities compared with 42% and 12%, respectively, for IoTs (HEA, 2009). Universities enjoy greater autonomy than IoTs, but both operate within a restricted management environment especially with respect to human resources issues.

Higher education remained largely disconnected from other policy considerations until the 1990s when labour shortages brought about by rapid economic growth and international competitiveness forced a new direction. Beginning in 1997, almost €3bn has been invested in higher education research and infrastructure. The aim was to ensure that by 2013, Ireland would be

internationally renowned for the excellence of its research, and will be to the forefront in generating and using new knowledge for economic and social progress, within an innovation driven culture (DETE, 2006).

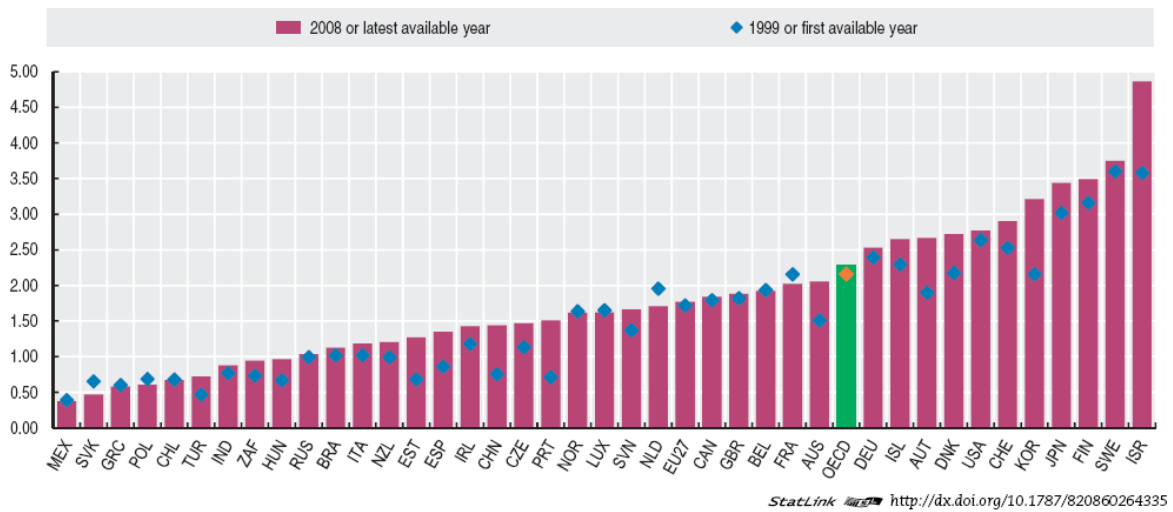
A series of key policy documents and national development strategies placed higher education and the knowledge economy at the centre of national policy. The National Development Plan (2006, p17) pledged to enhance enterprise development, and “improve economic performance, competitiveness,...generate new enterprise ‘winners’ from the indigenous sector [and] attract high added value foreign direct investment”. To build world class research, emphasis was placed on increasing the number of research teams led by internationally competitive principal investigators; upgrading existing infrastructure and developing new facilities to support research; enhancing postgraduate skills through a graduate schools mechanism; developing sustainable career paths for researchers including mobility opportunities; and doubling the number of PhD graduates by 2013.

The transformation of Irish higher education was visible almost everywhere. Universities and IoT campuses expanded in all dimensions; a massive building programme led to new student, sport and cultural facilities, specialised teaching spaces, and most notably research institutes with internationally competitive laboratories. Other observable signs included the establishment of the National Qualification Authority of Ireland (2001) and sector-specific QA agencies; the HEA became an advocate and driver of change and “modernisation”.

Change was also noticeable among the student cohort; higher education participation rates are now over 55% up from 44% a decade ago, and the Government has set a target of 72% by 2020. Demand is projected to increase over the next 20 years, from some 160,000 students today, to 200,000 by 2020 and 275,000 by 2030. Research output has expanded in line with investment; *Sciencewatch* showed Ireland on the “Top Countries in All Fields” list for the first time, at 19th place in the world in 2008, having moved up from 36th in the world in 2003. Research activity, productivity and visibility have increased in line with research funding. According to a recent report, while “the total research capacity remains small”, Ireland’s “share of world citations is greater than its share of world papers”, ranking 18th on volume but 8th on citation impact (Evidence, 2009; Thomson Reuters, 2010). Ireland’s performance in the 2007 and 2009 European Research Council grants is good relative to its population size; in the 2009 competition, it was just behind the UK but ahead of Sweden, France and Germany (ERC, 2009).

However, despite consistent increases in the rate of investment in higher education and research up to 2008, Ireland has remained well below both the EU and OECD average – and Australia- even during the Celtic Tiger years (Ó Riain, 2004, p33; Forfás, 2009; see Figure 6). Moreover, the OECD says that for all reporting countries *except Ireland*, the ratio of investment in knowledge to GDP was higher in 2004 (or 2003) than in 1997. Gannon says a key difficulty for Ireland in reaching the Lisbon target of 3% GDP by 2010 for R&D has been the incapacity of the private sector to meet its 2% GDP quota (Gannon, 2010). The decline of GDP may alter percentages but it is the total level of investment that’s important.

Figure 6 Gross domestic expenditure on R&D, as a % of GDP



Source: *OECD Factbook, 2010*, p. 151

<http://www.oecdilibrary.org/docserver/download/fulltext/3010061ec054.pdf?expires=1278498926&id=0000&acname=freeContent&checksum=A7A30178C89C26470632098CE4F7CE5B>.

Ireland has eight HEIs mentioned in the top 500 of the *Times QS Top University Ranking* (2009) compared with only 3 in 2005, but its international presence remains relatively weak; 9% of higher education students are international, but Ireland has only about 0.9 % of the international student market. Restrictions on student visas have not been helpful. At the same time, Ireland’s European neighbours are actively reducing barriers to international education, devising innovative policies and incentives to attract (and keep) international students in their institutions and countries.

3.3 Higher Education and the Crisis

The government has adopted a fiscal tightening deflationary strategy; it aims to increase Ireland’s competitiveness by significantly and quickly reducing costs based on its assessment that the large budget deficit has made Ireland fiscally unstable and uncompetitive.

“We need to ask ourselves if we can price ourselves back into the market rapidly . . . If we do we will see a very robust recovery by 2012, unemployment will come down gradually from 2011 onwards, and we might get back to full employment by 2015 (Lynch and Slattery, 2009).

As might be expected, the strategy has generated much public debate; as Krugman (2009) has commented, “the lesson of Ireland is that you really, really don’t want to put yourself in a position where you have to punish your economy in order to save your banks.” Higher education which was a beneficiary of the boom has become a casualty of the recession.

Between 2003 and 2008, the core budget for higher education rose year-on-year resulting in an increase of approximately 31% over the six years; in parallel, the universities expanded their student base by 10.8% and IoTs by 5.9% since 2004. In the current environment, higher education has experienced an 11% reduction in core funding since 2008 (5% in 2009 and 6% in 2010) bringing it back to pre-2007 levels. However, if the pay-related reductions are included, then the total reduction on the final 2009 outturn is 9.4%; together with anticipated reductions in 2010, the reality will be closer to 20% reduction since 2008; further reductions are anticipated for 2011. At the same time, student numbers have continued to rise by 4.2% and 5.8% in the universities and IoTs, respectively, between 2007/08 and 2008/09 (HEA,

2009). Because budget and student numbers are going in opposite directions, resources per student are declining more precipitously than headline cuts suggest. According to Sheil (2009), Harvard, Princeton, Yale and Stanford provide approx. \$149,000-\$227,000 per enrolment; arguably these are inappropriate comparators for public institutions in Ireland, but nonetheless rough equivalent figures for Ireland for 2008 suggest an average of €9000 [US\$11,308]² per student in the university sector and €8000 [US\$ 10,053] per student in the IoT sector (DoES, 2010).

An Employment Control Framework (ECF) was introduced in 2009 to bring about a permanent structural reduction in head-count across the public sector, amounting to 3% in 2009 and 6% in 2010. A moratorium was introduced on non-teaching/non “front-line” appointments and replacements, and salaries have been reduced as mentioned above; the latter has affected those on research grants including internationally mobile research talent who were attracted to Ireland during the Celtic Tiger years. Research funding programmes have been restricted or revised, with available funds being used to support existing commitments (see Table 3) (Ahlstrom, 2010; Duke, 2009). These developments have led to talent flight by those attracted to Ireland by good salaries, and well-endowed SFI or other grants. The government’s recent decision (July 2010) to award €296m for HE research and PhD programmes, over 2011-2016, is therefore very welcome.

Table 3 Reductions in Research Funding 2009-2010, €’000

Research Fund/Activity	2009 Outturn	2010 Estimates	% Difference
PRTL I Recurrent, Research Councils and Targeted funding, E-journals, HEAnet	86,989	82,392	-5%
HEA Capital - BUILDING	65,057	46,000	-29%
Enterprise Ireland	133,688	128,087	-4%
Science Foundation Ireland	177,158	159,833	-10%
Total	498,133	450,469	-10%

Source: HEA

Two significant policy actions have laid the basis for the government’s strategy of recovery.

1) In December 2008, *Building Ireland’s Smart Economy* was launched (Department of the Taoiseach, 2010). It aims to position Ireland as a knowledge-intensive economy with a “thriving enterprise sector, high-quality employment, secure energy supplies, an attractive environment, and first-class infrastructure.” It strongly endorsed heavy investment in R&D 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 part of its vision, it promoted reform and restructuring of higher education, with “new organisational mergers and alliances that can advance performance through more effective concentration of expertise and investment”. A report by the Innovation Taskforce (2010) reinforced this vision.

2) The Department of Finance established the Special Group on Public Service Numbers and Expenditure Programmes. Published in July 2009, it recommended reductions of over €5.3bn and over 17,000 jobs across all government departments and agencies, with proposed savings €10.2m from higher education. It questioned major capital projects, spending on research, and the emphasis on PhDs. It also criticised academic contracts, proposed

² Conversion EURO to USD, 12 July 2010.

institutional restructuring including mergers, and the absorption of the Higher Education Authority into the Department of Education and Skills (DoES).

By questioning many underpinning elements of the “smart state” strategy, including reducing investment in education and R&D, the McCarthy report exposed a deep fissure between the political and financial arms of the state (Flynn, 2009). Since publication, government departments have been required to prepare cuts broadly in line with the report. It is in this context that the review of higher education is taking place.

3.4 The *National Strategy for Higher Education in Ireland*

The HEA began to consider the need for another review of Irish higher education in 2007. The aim was to go beyond the 2004 OECD report and involve considerable consultation with the sector. By the time it was announced in February 2009, it had been overtaken by the quickening impact of the GFC. 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 (NS, 2009).”

Originally intended to report by the end of 2009, the report is now due in September 2010. There has been limited open consultation although submissions have been sought. The review team, comprised primarily of representatives from government departments (including the Department of Finance), two international members and business and trade union stakeholders, has operated with few invited presentations.

Many of its likely recommendations are obvious and have been well flagged (Walsh, 2009; Boland, 2009; Boland, 2010; Hunt, 2010). These include measures to widen participation specifically life-long learning and ensure matriculation across the system, equality between full-time and part-time modes of study, student and graduate tracking, and enhanced internationalization of the student cohort. More controversially the report will recommend the re-introduction of tuition fees, institutional contractual agreements tied to mission and performance related funding, changes to academic contracts (albeit tenure is unlikely to be affected), and rationalization of provision. There will be a strong support for the teaching-research nexus, but this is really a reaction to the idea that academics don't do enough teaching (O'Brien, 2009). Some kind of student satisfaction and learning outcome accountability and research performance assessment tools are likely. After some doubt about its future, the HEA is likely to be expanded and given responsibility for driving change and modernization across the whole HE sector similar to US governing authorities.

Another likely arena for comment will be research, especially productivity, albeit there are wider issues, such as funding levels and responsibility. Except for the Department of Finance report, both the *Smart Economy* and *Innovation Taskforce* reports have pressed the necessity of meeting the 3% target; this point has also been stressed by the EU Commissioner for Research, Maire Geoghegan-Quin, who is a member of the Irish government party. Responsibility for HE research funding is currently being transferred from the Department of Education and Skills (DoES) to Economic, Trade and Innovation (DETI), following a cabinet reshuffle in April 2010. This follows suggestions to combine all research funding under the remit of Science Foundation Ireland (SFI) to ensure stronger co-ordination. The initial pretext was that with research funding distributed across so many agencies it was easy for cutbacks unknowingly to occur; whatever the merits of that argument, the real reason is to ensure

closer alignment with economic priority sectors, short-term impact and measurable performance. It is also likely to diminish the HEA's role. In this environment, there are obvious concerns for the arts, humanities and social sciences, and for research which is not tied (immediately) to economic imperatives. While the Review will want to remain outside of politics, it may feel it important to comment on research.

The re-introduction of tuition fees is an obvious recommendation especially in the current financial climate. In 1995, the government decided to abolish tuition fees; they were initially cut 50% and then eliminated. The argument was based on widening participation: "These decisions are a major step forward in the promotion of equality. They remove important financial and psychological barriers to participation at third level" (DoES, 1995). While raising the threshold for grants might have been more efficient (Denny, 2010, p6), there was a concern that the tax system at the time could not adequately redress inequities, as a result of which children of farmers and other self-employed could more easily gain access to financial support than children of public or private sector workers. Politically, the re-introduction of tuition fees was always going to be highly contentious because the main beneficiaries were the vocal middle class. While their abolition did not bring the electoral benefit the Irish Labour Party hoped, their reintroduction is likely to provoke a negative reaction. Nonetheless, the large public deficit dictates that this position is no longer tenable. Such considerations, including the precise form that tuition fees might take, would normally have formed part of the Review's considerations; however during 2009 the then Minister for Education and Science introduced a parallel process including seeking international expert opinion (Kearns, 2009a, p9). A recommendation, based upon the Australian HECS system, was on the verge of being announced until the Green Party – which is part of the government coalition – balked (Kearns, 2009b, p11). Tuition fees, unlikely to be introduced during the lifetime of the current government which is due to end in 2012, are only likely to off-set diminishing exchequer funding, but their absence has put further strain on all HEIs. The HEA suggests there is a short-fall of almost €4bn to meet the "30 per cent surge in student numbers" thus posing a serious threat to quality (Anon, 2010; Flynn, 2010a).

A decision about the future shape or structure of the HE system has been the most problematic issue, delaying the consultative process and publication. Pursuit of world-class status has over-determined the strategies of both Trinity College Dublin (TCD) and University College Dublin (UCD) in recent years, with both universities going into deficit even before the current downturn. Indeed, the listing of the two universities in the top 100 of the *THE QS* has captured the imagination of some policy and decision-makers, and been heralded in *The Irish Times*.

The critical importance of these rankings should not be doubted. The perceived quality of the higher education system is a key factor in helping to attract inward investment. The rankings can also help Ireland to attract more international students, a lucrative business opportunity...`(*The Irish Times*, 2009, p15)

Relatedly, there is a strong chorus arguing Ireland has too many HEIs relative to population and the financial environment amid concerns that the cost of resourcing a single world-class university would be equivalent to the entire annual HE budget (Flynn, 2010b; von Prondzynski, 2009; McConnell, 2009). Another view has suggested that (some) universities may be in danger of "mission drift" because they are required to admit too many "inadequately qualified science students" (RIA, 2009, p9). There is also strong support within government for retention of the binary system to ensure mission differentiation and cost containment – the latter being seen as a rationalisation for the former. There are 14 IoTs,

ranging in size from approx. 1000 to 20,000 with questions about their competitiveness and attractiveness. To many people, the latter are a problem that requires a solution.

A recommendation to reduce the number of HEIs was never in doubt; there is strong emphasis on mergers for greater efficiency, rationalisation of resources, better specialisation and sharing back-office functions but mainly with reference to the IoT group of institutions. A size threshold (8,000-10,000 students) and other criteria will enable some new conglomerates to become universities of technology. Unfortunately the Review group rejected any collaboration or merger across the binary divide, a move which could have strengthened the review's recommendation for regional clustering. The latter follows in the wake of a 2009 announcement by TCD and UCD to establish an Innovation Academy, an initiative by the University of Limerick (UL) and the National University of Galway (NUIG) to do something similar on the west coast, and a merger of DIT with three smaller and neighbouring IoTs. The report is likely to set high level objectives and expect HEIs to work towards these within a three to five year time-frame.

This element of the report has exposed major differences between traditionalists and modernisers, between those favouring the status quo or a greater divide between elite and mass and between undergraduate and graduate activity, and those "supporting excellence where it occurs" including re-designation of some institutions; in the end, the latter only just won out. The quickly convened "consultation" was more a case of concretising the latter's position than getting any serious feedback. Rather than being driven by a strategic view of the future of Ireland, the process has largely been driven by local factors; some members of the team complain there was little hard evidence to back up or counter assertions made by either side. In the absence of any clear conceptual or strategic framework, the proposal reflects a power struggle over status and finances. In the background, rankings are influencing the future shape of Irish higher education even though their choice of indicators are not aligned with policy priorities, e.g. high quality teaching and learning, entrepreneurial and innovation capabilities (Scally, 2008).

4. Assessment of the Governments' Responses

Australia

The revised intention in the 2010 Australian Budget is to return to surplus by 2013 on the basis of a new resources rent tax which has already played a part in the fall of the Prime Minister and which will now not deliver the returns originally planned. On the other hand, there have been further estimates showing that the economy will continue to grow, so more funding for higher education remains feasible if not likely. However, higher education is not a vote-winner and it faces competition from several sectors that are – schools and health in particular, but increasingly social services and pensions. Assessing the situation on what has actually been delivered one would conclude that Australia has done little to invest seriously in higher education, and certainly not to the extent that might have been inferred from its rhetoric about the primacy of a highly educated workforce to support sustained economic growth. The governance and coordination of the system may change as a result of negotiations around the role and structure of the proposed Tertiary Education Quality and Standards Agency. It is even possible that if the Agency is to have the powers and the independence that are being suggested, it will become a fully functioning University Grants Commission that can act as a policy and funding buffer body. If this were to occur there might be some prospect of improving the linkages between policy and financial planning, including the prospect of providing government with more comprehensive ongoing advice on

maintaining the health of the system.

The government has continued to resist the argument that the deregulation of enrolments should be accompanied by a deregulation of the fee structure to enable institutions to raise fee income. So the higher education system is faced with a situation in which it must meet the growth projections relying on inadequate government funding, while prevented from raising private income other than through international student enrolments. This is a risky strategy because universities have little control over the market while a major decrease would put many universities at risk of financial failure.

We may therefore conclude that this has been period of missed opportunities. Given that the major review report arrived at the same time as the government was making significant allocations to stimulate the economy, its lack of funding for higher education reforms was neither within its stated aims and ambitions for the sector nor sensible economic strategy. While there had been some hope that the election year Budget in May 2010 might have provided the increases required to reverse the decline in higher education, this did not occur, and spending as a proportion of GDP will continue to decline over the forward estimates period. It should be noted that this is not due to a desire for the government not to appear profligate because there have been several quite significant expenditure increases in other areas of the economy. That this largesse might flow on to higher education during the election campaign would require it to be an unassailably worthy cause as a vote winner – it is unlikely that higher education or research have reached this happy state.

Ireland

There is little doubt that a review of Irish higher education is timely. Even if the economy had not collapsed, a strategy taking into account global competitiveness, internationalisation and excellence was required. Indeed, it is arguable that Ireland has been very late tackling many of these issues. Yet, the review is occurring against a difficult backdrop for several reasons; the policy environment is shaped not just by the mechanics of the crisis but by public rhetoric that says resolving the budget deficit and the banks are the primary concerns. While the government “Smart State” and innovation strategies highlight the importance of building R&D capacity, the overriding discourse is dominated by the Department of Finance report. This places the government strategy group in a difficult position; it needs to adopt a strategy for higher education capable of delivering a globally competitive position based not only upon reduced resources but within a contradictory policy framework. At the same time, many neighbouring and competitor countries have greater financial capability or have adopted a Keynesian-stimulus approach to the recession specifically targeting or protecting education. Finally, the report will be released into a political charged environment – in which public discourse has little apparent sympathy with or for higher education or its wider societal contribution, and the government has less than 20% support according to the latest opinion polls. Its recommendations however controversial could end up in a churn. Irish higher education can’t afford this result either.

Arguably, Irish higher education has probably delivered all it can on existing resources; a recent Ecofin report says Irish universities are the most “efficient” in Europe: Irish graduates are the most highly employable, Irish universities have the highest graduation rate, Ireland has the highest percentage of graduates, and universities in Ireland, along with Finland and Sweden, are given the highest “excellence” rating by academics in other EU countries (St. Aubyn et al, 2009). But over the longer term, structural change is required. Undoubtedly this will require realignment within and across a cohesive and integrated sector; this includes having to come to terms with the small private and much larger further education sectors. This will include mergers and acquisitions, downsizing, identification of new opportunities

by aligning curriculum to key sectors and field specialisation. Ultimately, a new pedagogical and business model is required. All this is obvious, but the anticipated report seems likely to concentrate too much on resolving “problems”, and be short on vision and worryingly driven by an anti-intellectualism which sees higher education as an arm of economic strategy in a narrow sense. The confluence of factors enables the extent of restructuring to occur at a faster pace and with less opposition than might otherwise have been the case. However, it has many drawbacks, not least the fact that efficiencies and rationalisation have become the objective of the strategic review of higher education rather than a likely outcome. More importantly, by adopting an instrumentalist or utilitarian view of education and research as simply a mechanism for acquisition of skills and employability, the government risks its entire strategy which aims to make Ireland attractive for international investment and talent.

Conclusion

Because higher education is seen as the key to national competitiveness, the pressures of global positioning in the post-GFC world dominate the dynamics of higher education policy making. Australia and Ireland are challenged by strong neighbours; the former is dependent on them for international students and trade; the latter’s island-off-an-island-off-a-continent position sums up its interdependence with the EU as well as its relative size in population and trade. In an analogy proposed by a former Tánaiste (Deputy Prime Minister) that Ireland was closer to Boston than Berlin, recent events may have shifted the balance back towards Berlin (Harney, 2000). Both governments have set high standards vis-à-vis OECD norms, but uneven social and economic development across their sub-regions present compelling challenges. As a result, both countries struggle to balance and fund higher education as the beacon to attract international investment and talent, and as the basis for a balanced national strategy and social inclusion/equity.

Despite the rhetoric of the “smart state”, higher education is not a popular political sell against competing demands elsewhere in society. Coming from very different structural positions – Australia with a unitary system and Ireland with a binary – both countries have sought to grasp the concept of a “world class system” rather than prioritise “world class universities”. In place of government-regulated mission, both are experimenting in different ways with the concept of freeing up the system through compact negotiations. However, the Australian compacts are now likely to be very limited because only a relatively small proportion of (non-research) funding will be performance-based, the main element being enrolment driven. Ireland’s compacts will be backed by performance-based funding, to affect the same outcome, but are also likely to be constrained. Essentially this gives the guise of autonomy within the envelope of strong(er) government-steerage in Ireland, while appearing to give full autonomy in Australia, at least until such time as the Treasury becomes concerned that the proposed level of deregulation is unsustainable because it defies accurate financial prediction and budget planning.

The GFC has impacted differently on the two countries, not least because the governing political philosophy differs significantly. Whereas Australia has continued to experience economic growth, the Irish economy has suffered the confluence of international and domestic collapse. While debate in Australia has been dominated by the allocation of stimulus funding, Irish government strategy has been dominated by a fiscal-tightening agenda. In contrast to Australia, the current period in Ireland is not one of missed opportunity but rather going backwards.

While the two countries have fared quite differently as a result of the GFC, it is remarkable how similar their policy directions have been. The rhetoric in both countries would suggest that their governments believe passionately in the importance of higher education and

research to their material well-being and sustained prosperity. But neither has ultimately delivered on its rhetoric. Even on the question of the introduction of fees to supplement the inadequacy of government funding the two governments are ultimately hamstrung by different political pressures refusing to support policy change. The result is that both higher education systems will find it difficult to maintain their competitive international positions in the face of the significant increases in investment that we are witnessing in the major emerging economies. Not only will they struggle to broaden the funding base for their system, but there is clear evidence that policy will almost inevitably lead to concentrated resources in a few world class universities rather than coming to grips with the notion of a world class system.

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