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## Higher Education at a time of Economic Crisis: is it good-bye to the Celtic Tiger?

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# Higher Education at a time of Economic Crisis: Is it good-bye to the Celtic Tiger?

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5<sup>th</sup> World Bank ECA Education Conference

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Higher Education  
Policy Research Unit

- ‘The Irish economy is in the midst of an unprecedented economic correction...that exceeds that being faced currently by any other advanced economy’. (IMF, quoted in *Sunday Tribune*, 18 October 2009)
- ‘This Government will not proceed with any scheme of student contribution for third-level education.’ (Programme for Government, October 2009)
- ‘[A]s part of an attempt to justify budget reductions, we are subjected to criticism and innuendo that suggests that we are wasting resources and perpetuating inefficiencies, and that only government control can improve this. We are a sector in peril.’ (Ferdinand von Prondzynski, President Dublin City University, October 2009 <http://universitydiary.wordpress.com/2009/10/11/the-government-fees-and-such-stuff-some-last-comments/>)

# Content

- Changing National Context
- Policy Initiatives
- Impact and Implications

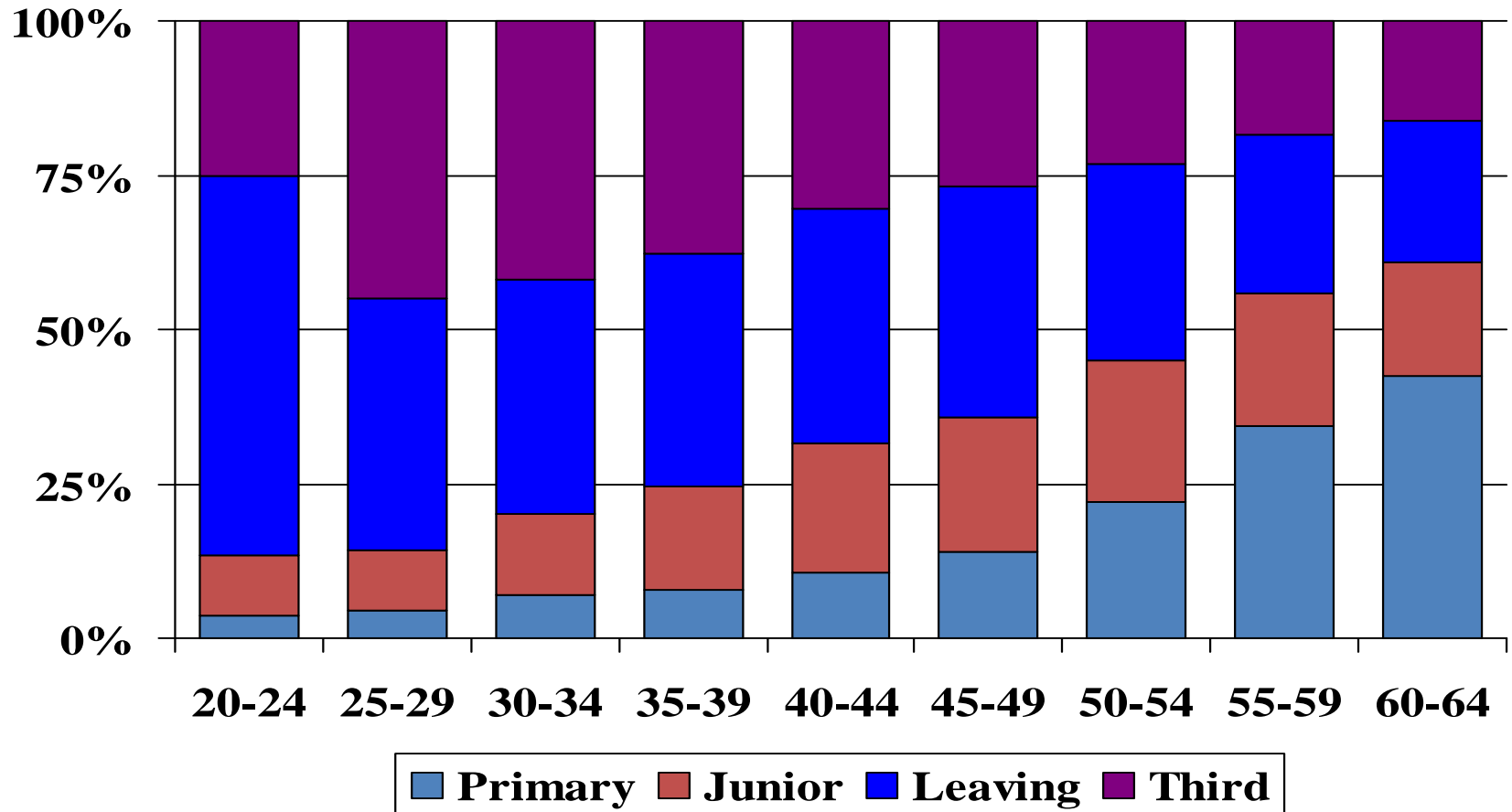
# Changing National Context: Before

- Historic transformation from country dependent on agriculture and traditional manufacturing to hi-tech and internationally-traded services;
  - 2007: services = 64% GDP, while industry = 33% and agriculture only 3%;
- Surplus of 3% GDP recorded in 2006;
- Labour force:
  - Numbers employed rose from 1.2m in 1990 → 2.1m in 2007 = 75% increase;
  - Unemployment rate fell to historic low, averaging 4.5% in 2007.
  - Tradition of emigration replaced by net immigration of 67,000+ in 2007.
- 1997-2008, €3bn invested in HE research and infrastructure:
  - €317m Education Technology Investment Fund (1997);
  - €1.4bn Science Foundation Ireland (2000)
  - €865m *Programme for Research in Third Level Institutions* (PRTLII) (1998);
  - €510m *Strategic Innovation Fund* (SIF) (2006).

# Higher Education Changes

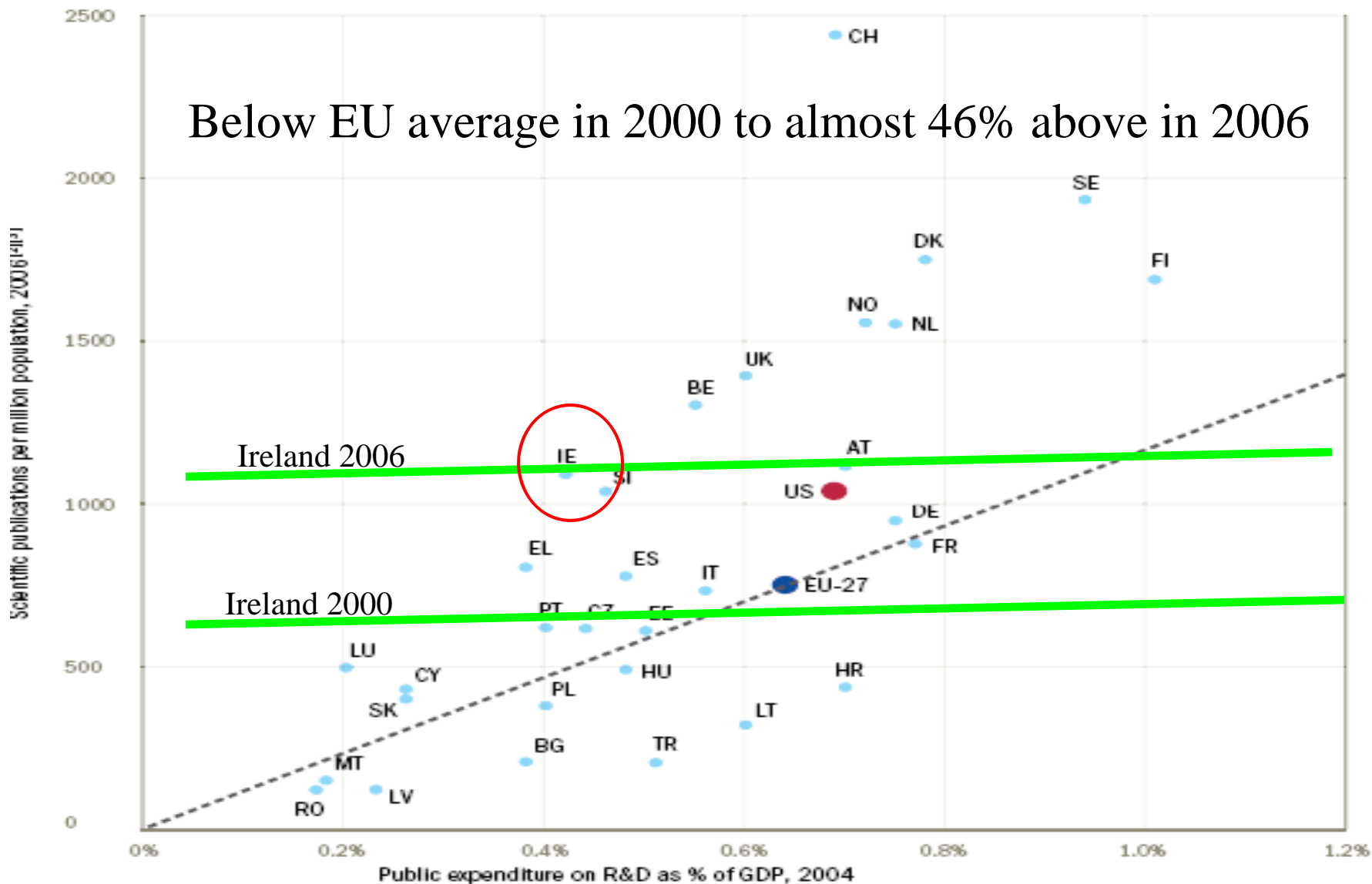
- *Strategy for Science, Technology and Innovation 2006 – 2013 (SSTI)*
  - ‘Growing research capability is a core component of the EU’S drive to become the most competitive and dynamic, knowledge-driven economy’.
- National Development Plan 2007-2013: *Transforming Ireland – A Better Quality of Life for All*
  - €187m to enhance enterprise development, Science, Technology and Innovation,...to improve economic performance, competitiveness,...generate new enterprise ‘winners’ from the indigenous sector [and] attract high added value foreign direct investment’;
- Transformation of HE:
  - 55% secondary students go to HE, up from 44% 10yrs ago,
  - Over last 5 yrs, annual increase in intake averaged ~3.5%,
- *Sciencewatch* showed Ireland on ‘Top Countries in All Fields’ list for first time: 19<sup>th</sup> in world 2008, up from 36<sup>th</sup> in 2003.

# Educational Attainment, 2007



# DG Research - Knowledge Output for EU+

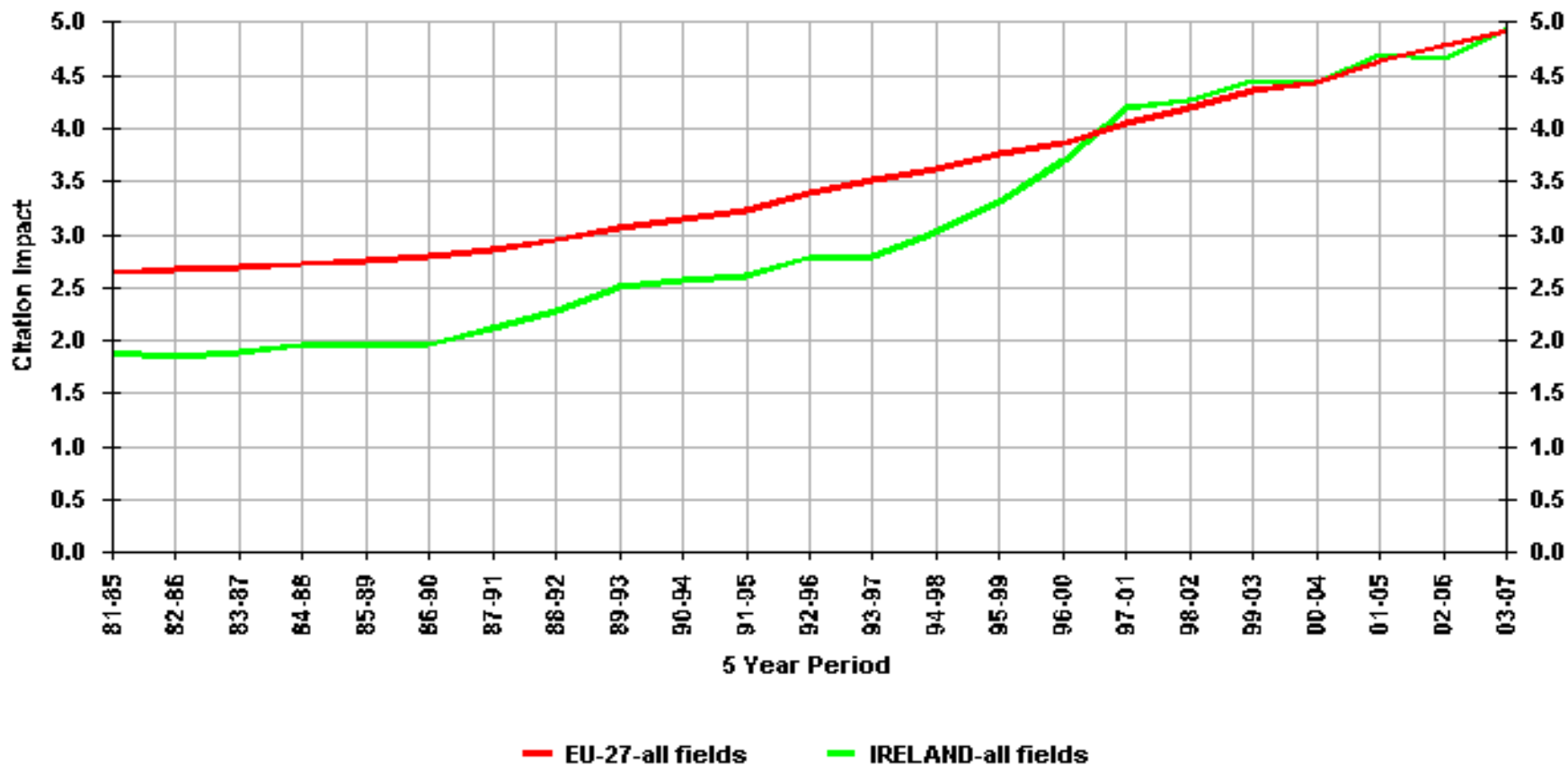
FIGURE I.3.2 Scientific publications in relation to public expenditure on R&D<sup>[1][4]</sup>





# In terms of research impact, Ireland has come from behind to match the European average...

Citation impact for Overall Country in 5 year overlapping periods

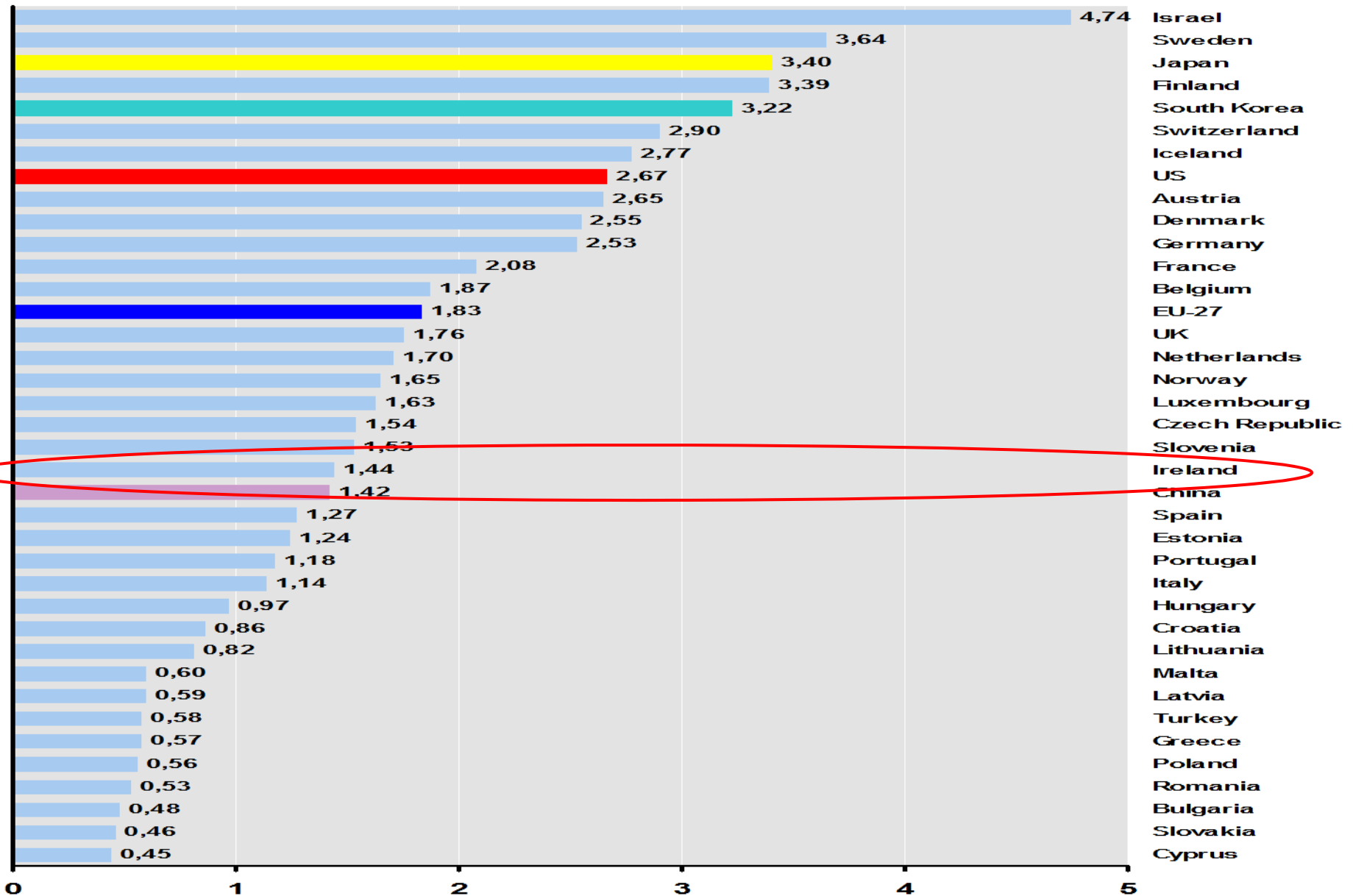


# Global Positioning

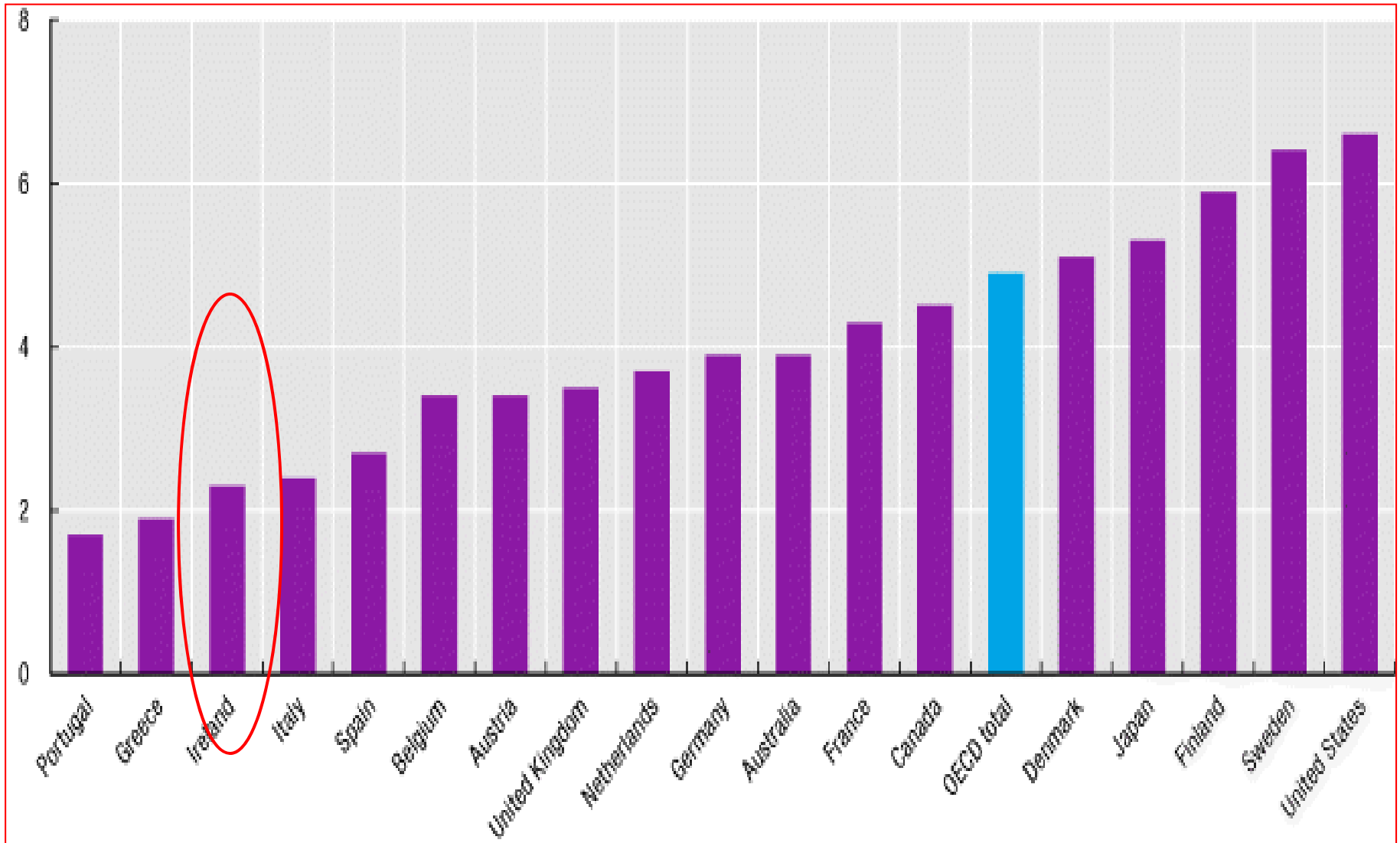
## Irish Universities in Top 500 - Times QS World University Rankings

	0-100	101-200	201-300	301-400	401-500
2005	0	1	1	0	1
2008	1	1	1	2	0
2009	2	0	3	1	2

# R&D Intensity (GERD as % of GDP), 2007 <sup>(1)</sup>



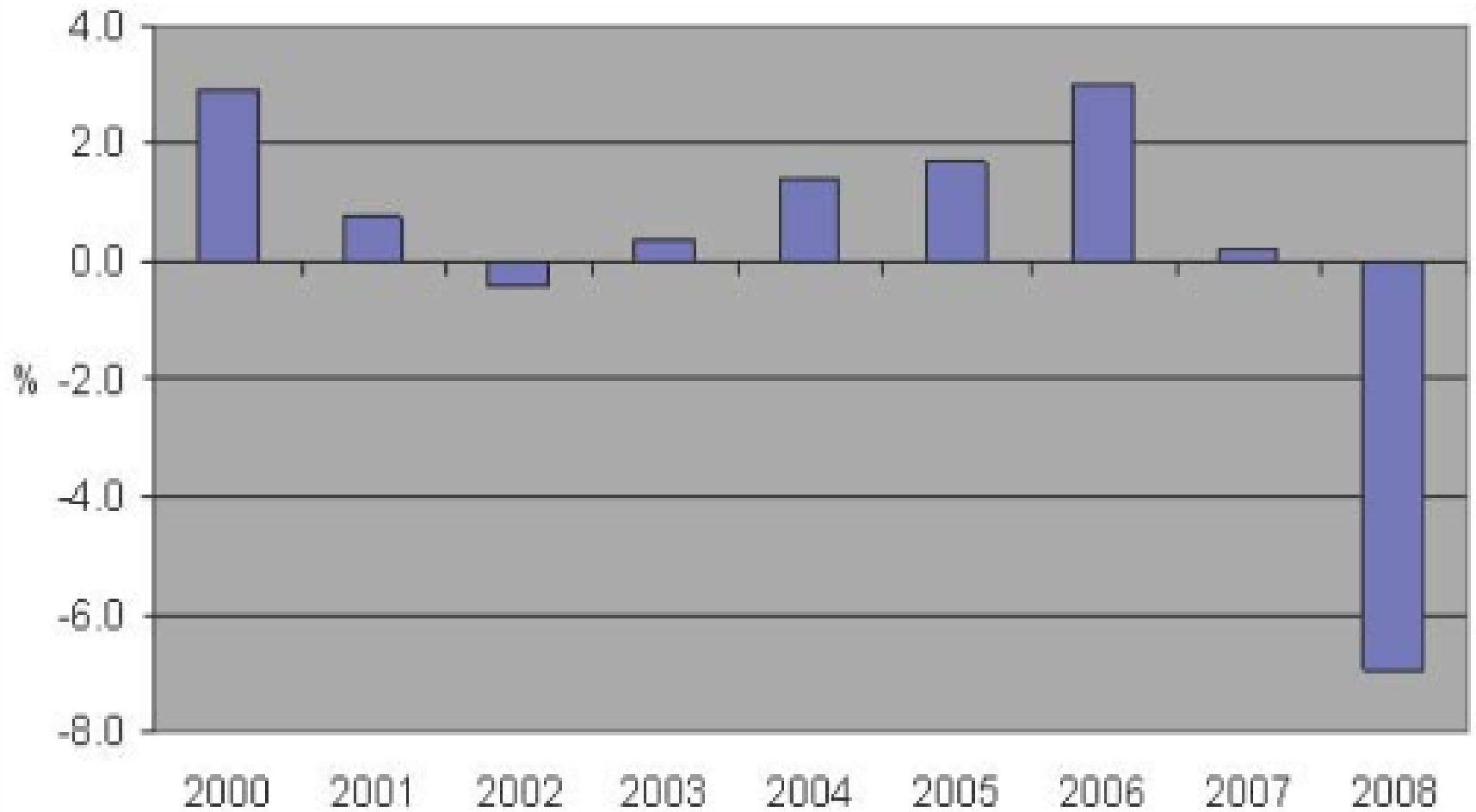
# Investment in Knowledge



# Changing National Context: After

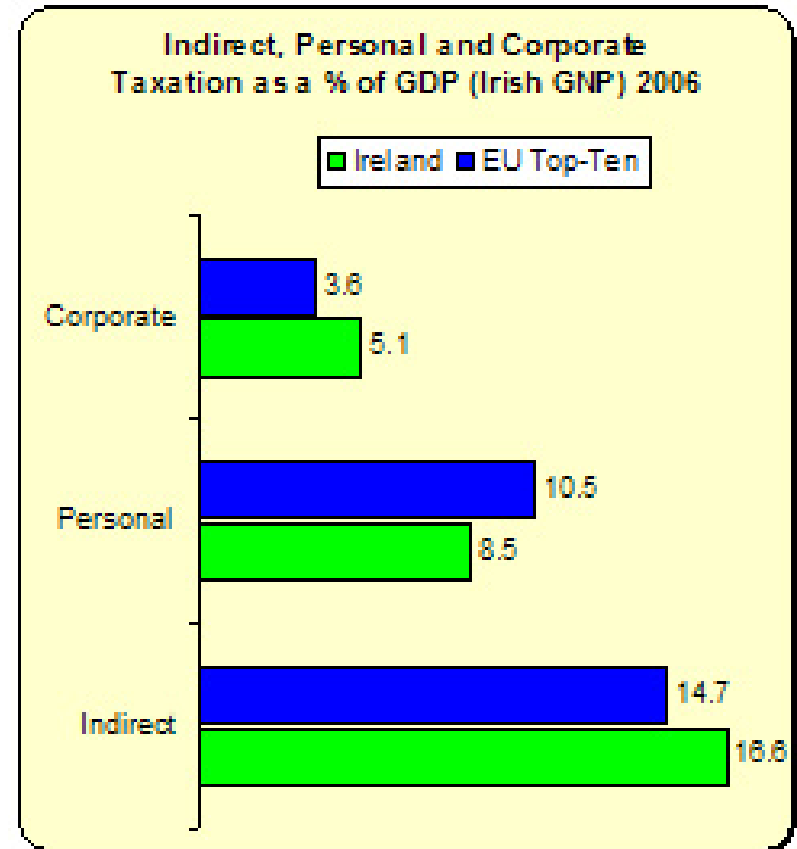
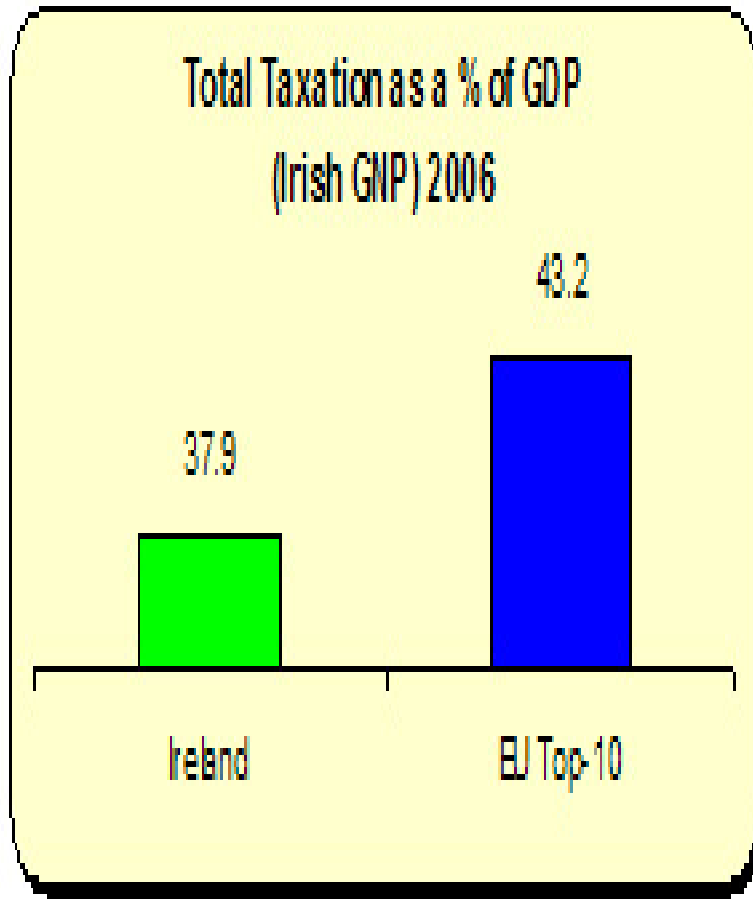
- GDP expected to decline by 7.2% in 2009 and 1.1% in 2010
  - An improvement on earlier forecasts.
- Private consumption to fall by 7% in 2009; 2% in 2010;
- Investment expected to contract by ~30% in 2009; 15% in 2010.
- National debt 34%GDP in 2008 and 76% in 2010 – up from 12% in 2007;
- Government borrowing expected 12.9%GDP in 2009; 12.8% in 2010;
- Unemployment expected to rise to 12.2% in 2009; peak 15% in 2010;
- Inflation expected to fall to -1.3% in 2009;
- €4 billion fiscal package for 2010 – equivalent to 3%GDP on full-year basis.

## General Government Balance relative to GDP



[http://www.esri.ie/irish\\_economy/](http://www.esri.ie/irish_economy/)

# Ireland's Low-Tax, High-Tax Model



# Golden Age of Higher Education Over?

- Higher education was beneficiary of boom – and likely to be victim of recession;
- Crisis precipitating trends already apparent;
- HE trying to operate in a continually changing and challenging financial and uncertain budgetary environment;
- Budget restrictions thus far:
  - 3% reduction in budget 2009 + anticipated 5% reduction in 2010;
  - 3% reduction in head count of permanent staff;
  - Moratorium on non-teaching appointments;
  - Research funding programmes restricted;
- Intention is permanent structural change in public sector provision – including higher education.



# Strategic Review of Irish Higher Education (2009-2010)

- Assess HE's fitness-for-purpose, develop vision and national policy objectives, and identify 'focused targets' for the next 5 years;
- Consider:
  - 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'.
- Funding related issues likely to emerge include:
  - Tuition fees;
  - Performance-based funding perhaps as part of institutional contracts;
  - Research assessment exercise;
  - Internationalization and international students.

# Building Ireland's Smart Economy (2008)

- Government's strategy response to recession and economic collapse;
- Aims to position Ireland as a knowledge-intensive economy;
- Endorses 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'.
- Promote higher education reform and restructuring to enhance system wide performance;
- New organisational mergers and alliances that can advance performance through more effective concentration of expertise and investment;
- Trinity College/University College Dublin Innovation Academy:
  - €650m from government, industry and private funding over 10 years;
  - Create 30,000 jobs and 300 companies.

# Special Group on Public Service Numbers and Expenditure Programmes (2009)

- Recommended reductions of over €5.3bn and 17,000+ jobs across all government departments and agencies.
  - Proposed savings €10.2m from higher education, incl. capital costs.
- Dis-establish the Higher Education Authority;
- Rationalise and merge HEIs;
- Amalgamate all research funding into a single agency (SFI);
- Query link between S&T research and innovation;
- Question ambition of doubling number of PhDs, and emphasis on PhDs;
- Criticise academic and non-academic contracts;
- Proposed halt to major campus development plan for DIT;
- Reduce funding for Strategic Innovation Fund;
- Reduce Student Support Grant.

# Tension between political and financial

- Government wants to position Ireland for global economic up-turn by making it more competitive and attractive to investment.
- Competitiveness viewed primarily as reducing public expenditure and labour costs: pricing 'ourselves back into the market'.
- Higher education caught in political cross-fire:
  - Reduction in expenditure vs. decision not to reintroduce tuition fees;
  - Invest in R&D vs. cutback in funding programmes, PhDs, etc.
  - Labour Activation Programmes but no support for staffing;
  - Student Capitation funding for student services – but these services vulnerable.
- All propositions will be measured against Finance's criterion of cutbacks and value-for-money.

# Tuition Fee Challenge

- Tuition fees abolished in 1997
  - Argument based on widening participation and tax inequities;
- Re-introduction politically contentious, especially among middle class
  - 28% of 'free' fees go to homes with annual incomes of €80,000+ (Flynn, 'Education and Finance clash over approach to Budget cuts', *Irish Times* 13 October 09)
- Public deficit paved way for Income Contingent Loans based HECs system
  - Revenue generated would likely only have replaced existing core funding;
  - *New Programme for Government* (October) ruled out re-introduction.
- State provides €1.4bn annually to HE sector – generally accepted required min. €500m:
  - 84% of HE funding comes from government v 73% OECD mean in 2005:
  - ~€300m paid in grants but this likely to increase because of recession
- Significant financial difficulty for the sector and likely to lead to reductions elsewhere.

# Changes in Academic Contracts

*Special Group on Public Service Numbers and Expenditure Programmes: 'Permanent structural reduction in public service posts'.*

- Scope for greater productivity;
- IoTs/DIT
  - Requirement for an annualised contract;
  - Extra payment for work forming part of normal duties;
  - Weighting allowance for hours worked after 6pm of 1.5;
- Universities
  - No specific provision in relation to teaching hours;
  - Formal academic workload management system across the sector;
  - Undergraduate teaching commitments for senior academic staff;
  - Performance management across the system;

# Consequences for Higher Education (1)

- Re-structuring across the HE system
  - Rationalisation of provision,
  - Reduction in number of faculties/schools to increase efficiencies,
  - Consolidation and collaboration – between/within HEIs.
- Research
  - Reduction in number of programmes and funding levels,
  - Increased auditing of activity – with claw-back options,
  - Shift focus to EU and industry-funded opportunities,
  - Performance measurement: Assessment, evaluation, benchmarking.

# Consequences for Higher Education (2)

- Human Resources
  - Employment Control Framework: restriction on appointments and contracts,
  - Embargo on all administration posts,
  - Likely changes in work practices with emphasis on performance and productivity.
- Finances
  - All salaries under review: likely reduction of 10%,
  - Scholarships and stipends under review,
  - Restrictions on travel, hospitality, contracts, consultancy, etc.
- Sharing resources
  - Procurement, HR, Research Administration/Technology Transfer.



# Challenges for Higher Education

- Bringing Irish HE into line with 'modernisation' agenda albeit within tighter timeframe and less auspicious conditions:
  - Reduced funding at time of increasing competition (talent, research, int'l students, investment) globally;
  - New thinking pushed out by short-termism;
  - Conservative/restrictive traditions & practices.
- Stronger focus on strategic priorities, mission, differentiation and excellence aligned to fields of expertise and competence;
  - Mergers, rationalisation and downsizing: which HEIs will survive?
  - Growing attention to attributes/benefits of the HE system;
  - Structural change in HE: pedagogy, provision of services
  - Greater attention on assessment, international benchmarking, value-for-money.

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<http://www.oecd.org/edu/imhe/rankings>



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