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

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Overview

- GFC increased awareness of need to invest in knowledge economy, but governments adopted different approaches in line with their different fundamentals:
  - Australian economy is growing at about 3% - Ireland’s growth is -1.5%, and predicted return to growth by 2011;
  - Australia’s unemployment is about 5% - Ireland’s unemployment is 12.9% (2010);
  - 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%.
- Paper examines Australian & Irish policy choices before and in response to 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.
Contrasting Experiences

**Australia**
- Unitary, government-regulated but independent HE system w/ block funding + student contributions;
- Less affected by GFC: Economic position could have created opportunity to invest in HE through its stimulus packages;
- HE Review in 2008 – aim to further deregulate system by removing enrolment caps.

**Ireland**
- Government-regulated binary system dependent upon public investment, w/ government control of staffing budgets;
- Severely affected by GFC: fewer options, but HE (already behind OECD colleagues) has taken big hit;
- HE Review in 2009-2010 – aim to drive efficiency & rationalisation as objective rather than outcome.
Economic Situation

Governor of Australia’s Reserve Bank, Glenn Stevens:

‘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.’

Source: Evidence to House of Representatives Standing Committee on Economics, 19 February 2010
Australia – Key Points

• 20% participation and better completion rates for disadvantaged students by 2020;
• 40% graduate (bachelor or higher) output of 25-34 year olds by 2025;
• student centred, demand-driven funding system, with no quotas on total or discipline places from 2012 – moving from mass to universal higher education;
• Towards full funding for the indirect costs of research;
• Improved performance indicators to justify funding;
• Lack of adequate funding in two Budgets to support change – 30% of amount recommended in review.
• Spending as % of GDP continues to fall; staff:student ratios 1:21 and growing.
Higher education expenditure as a proportion of GDP (includes EIF and DIISR)
Economic Situation

Prof John Fitzgerald, Economic Social Research Council:

‘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)

Paul Krugman, Nobel Prize for Economics, 2008:

...‘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.’
Ireland – Key Points

• Challenge of developing competitive ‘world class’ system at time of massive decline in national resources;
  – Since 2008, HE sector experienced 11% reduction in core funding, with anticipation of further 6% reduction in 2011;

• HE centre of national policy – but arguably late addressing many of the structural, governance and financial issues affecting sector;

• National Strategic Review to assess strategic ‘fit-for-purpose’ ‘having regard to difficult budgetary and economic climate’:
  – Mooted since 2007; report due September/October 2010;
  – Encourage clustering of institutions, better specialisation and resource sharing;
  – Retention of binary but opportunity to establish universities of technology;
  – Student contribution to HE finance;
  – Contractual agreements tied to mission, and emphasis on performance and policy-based funding;
  – Changes to academic contracts, w/ emphasis on teaching-research nexus.
# Reductions in Irish Research Funding, 2009-2010, €’000

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

Source: HEA
Policy Contrasts

**Australia**

- Largely avoided recession, with enough growth to invest;
- Funding has not followed gov’t aspirations but universities still expected to meet them;
- No capacity for institutions to raise fees to meet the shortfall;
- Lack of policy certainty due to new political situation;
- A lost opportunity to invest in HE as other growth economies have.

**Ireland**

- Policy environment dominated by need to reduce spending;
- Struggle between financial/political arms of state, & between traditionalists/modernisers;
- Little capacity to meet demands against better resourced competitors;
- Little capacity for institutions to introduce fees to meet shortfall.
Conclusion

• Australia and Ireland challenged by strong neighbours, which are investing significantly in HE and research;
• Debate in each country dominated by different circumstances:
  – Australia: allocation of stimulus funding
  – Ireland: fiscal-tightening agenda.
• Despite rhetoric of ‘smart state’, HE has not a popular political sell against competing demands elsewhere in society;
• Institutional compacts = ‘Velvet glove’ of regulation by granting the guise of autonomy within strong(er) government steerage;
• Focus on ‘world class system’ rather than preferential funding of ‘world class universities’ – but challenged by need to compete globally and restraints of political and economic system.