

12 December 2011

Mr. Ruairi Quinn, T.D.,
Minister for Education and Skills,
Marlborough Street,
Dublin 1.

Dear Minister,

I refer to the report of the study of sustainability conducted by the executive of the HEA and forwarded to you on 14 November. In the covering letter sent with the report, the CEO informed you that the Board of the HEA had not had an opportunity to discuss the report but that they would do so at their meeting on 29 November and that any observations would then be conveyed to you.

The views of the Board address three main issues. The first relates to the difficulty, acknowledged in the report, of establishing with a high level of certainty how or whether the current funding arrangements for higher education, and recent restrictions on funding in particular, are impacting on the quality of graduates. The Board noted the disparity that now exists between funding per student in Ireland and that in England. It also noted that the other proxies for quality outlined in the report point to a deterioration in the services, including academic services, provided to students.

Strong reservations were expressed at the reference in the study to the outcome of recent international ranking exercises. In the view of the Board, extreme caution should be exercised before drawing any conclusions as to quality in higher education from such exercises or the ranked position of Irish universities.

A third area for comment was the projections for future enrolments in higher education. These predict very considerable growth, especially in the number of mature entrants. As such they have very significant implications for sustainable resourcing of the sector into the future. Before any policy decisions are made on the basis of these projections, the Board would welcome an opportunity for the executive of the HEA, working with your Department and the Central Statistics Office, to review further the projections and the underlying assumptions, including those relating to supply of, and demand for, graduates in the workforce.

The Board concur that the study and the report are interim only and that substantial additional work now needs to be undertaken before comprehensive proposals as to how we can sustainably fund higher education into the future can be developed. Such additional work includes further research into the demographic projections, the role of the private sector and the contribution of the use of technology to programme delivery. The HEA will continue its work in this area in collaboration with your Department and provide you with further advice.

I enclose a copy of the report of the sustainability study which the HEA will now publish, and which has been edited to reflect the issues outlined in this letter.

Yours sincerely,

John Hennessy,
Chairman.



Sustainability Study

Aligning Participation, Quality and Funding in Irish Higher Education

**Report to the Minister for Education and Skills from the Executive of the HEA
November 2011**

Executive Summary

This report arises from the findings of the *National Strategy* that we need to ensure better alignment of the objectives of maintaining a high-quality higher education system which can also facilitate the expected significant demand for higher education into the future. Many countries have struggled with the tension of managing participation and quality, particularly when, as is the case with many countries today, there is a requirement to control growth in public expenditure.

The context for this debate in Ireland is especially stark. The expansion of Irish higher education in the last three decades has been an outstanding success for Irish society. It has enhanced the life chances of hundreds of thousands of citizens, enhanced social inclusion and provided an essential skills base to enable economic growth. Expansion has been driven by student demand and by the needs of the economy for an increasing supply of skilled labour. The expansion has also been facilitated by funding models (through core, fee and other grants) for higher education, which have created inherent incentives for institutions to grow their funding: as the unit of resource invested per student has not been fixed, student growth has been allowed to occur at a faster rate than funding growth. While the resulting strain on resources has been ameliorated to some extent by increases in student contributions, all the indications are that public funding will be further constrained in the coming years.

Current projections show that demand for access to HE will continue to grow, driven by growth in school-leaver numbers, as well as by increasing demand from those in the work force to upgrade their existing skills or to develop new skills. The demand for up-skilling opportunities has arisen from the increasing demand for higher-level skills in the workplace. This study suggests that meeting this demand will require substantial additional resources, while maintaining student numbers at their current levels would lead to substantial unmet demand. It is recommended that further research be carried out to establish the full scale of these pressures.

There is already evidence that the strategy of growing numbers while decreasing the unit of resource has reached the limits of its effectiveness, namely:

- New enrolments in higher education (HE) are, in general, stabilising, despite the inherent incentives to increase student numbers and the on-going very high levels of demand for HE from both school-leavers and wider society;
- The very significant decline in staff numbers in the sector, which is a consequence of the implementation of measures for financial consolidation, has reduced the capacity of the institutions to offer more places as well as impacting negatively on the quality of the student experience.

These findings are significant as they suggest that the combination of declining investment, capacity constraints arising from reduced staff numbers, and growth in overall student numbers now presents such a threat to quality that it overrides the incentive in the funding models to continue growth in student numbers. This in turn means that the ability of the

sector to continue to meet student demand and to guarantee the supply of skilled graduates to underpin economic recovery is severely restricted.

The report notes that some of the decrease in funding has been addressed through the internal reform of institutions; through mechanisms that have stimulated increased productivity, such as the Croke Park Agreement; and through institutions' diversification of their funding base to include income from philanthropic and commercial sources. However the report also notes that, given the likely further decline in public funding, none of these approaches, either alone or combined, will be adequate to meet the scale of the increased demand in a way that assures quality outcomes for graduates.

To compensate for the difficulty inherent in measuring the quality of outcomes in higher education—a difficulty that has been recognised internationally—this study uses a variety of approaches to examine quality from different aspects. The emergent picture indicates that the quality of the student experience in Irish higher education has come under severe pressure in recent years, and that it will inevitably decline further in the years ahead unless action is taken to address the sustainability of funding. This report presents formal evidence of this, obtained from institutional quality reviews, as well as informal evidence provided by senior officers' snapshot views from within the system. In broad terms, academic offerings are being scaled back in terms of the depth and breadth of curricula, with reduced opportunities for small-group teaching. Non-academic support services have been constrained even further, with increased rationing of services for all students.

A comparison of the funding of higher education in England and Ireland reveals that funding per student in Ireland is between 19% and 29% lower than funding per student in England. This is without any regard for the capital needs of the system as it currently stands, nor for the need for additional capital investment that may be required to facilitate growth in the system. This is an important warning for quality in Irish higher education. It is noteworthy that, in the late 1990s and early 2000s, England itself underwent a difficult process of unfunded expansion of its higher education system, which led to very real declines in quality. Out of that experience came a variety of policy initiatives to ensure the long-term sustainability of the system, and a commitment to avoid a repetition of the mistakes of unsustainable growth which damaged quality.

Without change, it is likely that individual institutions will continue to limit the numbers of new entrants to higher education so as not to exceed their capacity to teach, and in order to protect the quality of the student experience. The system as a whole will enter a period of consolidation rather than growth. Many potential students will not be able to enter higher education, and the number of graduates will also stabilise. To avoid this scenario and its attendant social and economic impacts, measures could be introduced to facilitate the ongoing expansion of the system in way that is sustainable. The report makes the following recommendations:

Short term

1. The implementation of the full range of recommendations made in the *National Strategy* which are aimed at greater efficiency and effectiveness should be vigorously pursued.
2. The financial planning framework for HE should be placed on a tri-annual basis immediately in order to significantly assist institutions in dealing with funding reductions. Tri-annual budget allocations would also support the efficiency agenda by providing institutions with greater certainty in respect of their funding over a more extended period. This would allow strategic resource management to be undertaken on a planned and medium-term basis, rather than in an *ad hoc* manner. This approach is entirely consistent with the recent Government decision to move to medium-term expenditure frameworks.
3. The HEA should review its funding models so as to encourage and support continued growth in the HE system. In particular, in view of the needs for up-skilling of both the employed and the unemployed, there should be an increase in part-time provision at levels 6 and 7 of the National Framework of Qualifications (NFQ).
4. In the event of further declines in public funding for higher education, the level of student contribution should be increased to compensate.

Longer term

To meet the trends of increasing demand for HE, there is an urgent need to prepare for a sustainable system with a sustainable funding base. In the absence of a capacity to increase public investment, other strategies that can assist in the expansion of provision include enhanced use of technology, a greater role for private higher education providers, and an increase in the student contribution. It should be borne in mind that increasing the student contribution carries with it the risk of financial barriers to participation in higher education. These could, in turn, necessitate measures such as the provision of student loans or other supports.

1. Introduction and purpose of report

This study by the HEA arises out of (i) the concerns expressed in the *National Strategy* in relation to the long-term sustainability of higher education in Ireland, and (ii) a specific request from the Department for Education and Skills for advice on sustainability in higher education. (Terms of Reference are attached in Appendix 1.) In considering this report, it should be noted that, as stated later, further study in a number of areas and over a longer time-period will provide a stronger evidence-base, but this in itself does not call into question the conclusions now drawn.

The purpose of this study paper is to provide policy advice in relation to participation in, and the sustainability of, higher education. Specifically the *National Strategy* identifies concerns over the quality of the outputs of HE in a context of current high and growing levels of enrolment set against a declining public resource base, and even more critically the prospect of ongoing and significant increases in demand for HE students in the coming years. The *Strategy* notes that “continued expansion of student numbers must be contingent on additional resources and new ways of working.”¹

2. Policy context

This dilemma of matching participation, quality and funding is not unique to Ireland. Prof Nick Barr² has identified an international dilemma for higher education systems. Governments typically pursue two goals in higher education—larger quantity and higher quality, while being constrained by the problem of needing to either maintain or reduce public funding. Prof Barr also notes that the reality is that any two of these can be achieved but at the expense of the third, as illustrated by the following examples:

- Large and tax-financed, but with worries about quality (France, Germany, Italy);
- High-quality and tax-financed, but small (UK till 1989);
- Large and good-quality, but fiscally expensive (Scandinavia).

2.1 Quality and funding – what is the relationship?

The framework outlined above presumes a relationship between quality and funding. Rather than accept that presumption, it is useful to interrogate it further. There is considerable evidence that funding in higher education plays at least some role in quality. Salmi³ and Hazelkorn⁴ both note that any analysis of world-leading institutions inevitably

¹ Department of Education and Skills, *National Strategy for Higher Education to 2030* (Dublin: DES, 2011), 4.

² http://www.reformy-msmt.cz/reforma-terciarniho-vzdelavani/sites/default/files/conference/Barr_Prague_091016.pdf

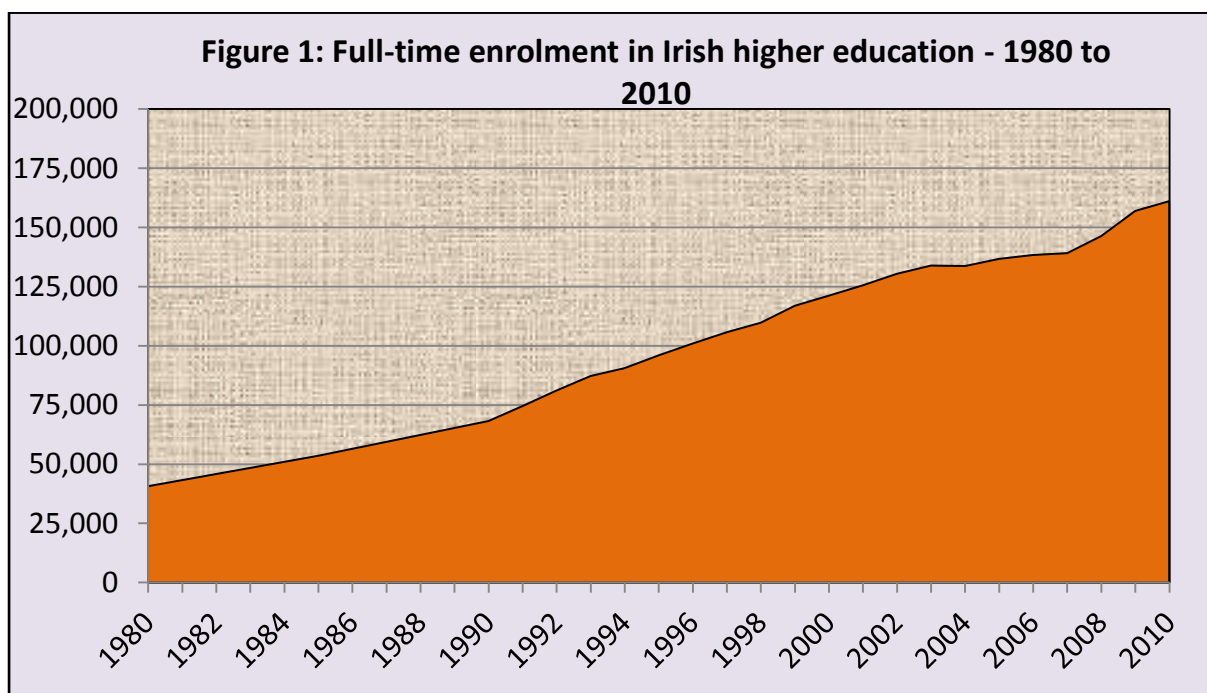
³ J. Salmi, *The Challenge of Establishing World-Class Universities* (2010).

highlights their access to abundant resources. Institutional league tables tend to be dominated at the upper ends by institutions that can generate and/or have access to considerable wealth. However, high levels of funding are no guarantee of success. Without other attributes such as effective governance, management and strategy high levels of funding might simply produce expensive, as opposed to high-quality, outcomes.

However, in a situation where institutions are operating with low levels of funding relative to their competitors, once all other contextual differences have been stripped out, over time there is a significant danger that quality will suffer. If the difference of funding is small, it might be avoided to some degree through efficiencies and innovation. If the difference is significant these remedies are unlikely to provide long-term solutions.

2.2 The position in Ireland

The *National Strategy* has noted that Ireland has been very successful in driving significant rises in participation in higher education as shown in Figure 1 below.



Source: HEA and Dept of Education & Skills data

However it now appears that this history of on-going rises in enrolments has been constrained by declining resources in recent years.

⁴ Ellen Hazelkorn, 'Learning to Live with League Tables and Ranking: The Experience of Institutional Leaders', *Higher Education Policy* (2008).

2.3 Recent trends in enrolments to Irish HE

The data below show how in recent years, the levels of full-time new entrants into HE have stabilised.

Full-Time Undergraduate New Entrant Trends 08/09 – 10/11 for the University Sector			
	2008/2009	2009/2010	2010/2011
Total	21,728	21,906	22,030

Undergraduate New Entrant Trends for the Institute of Technology Sector 2008/2009–2010/2011			
	2008/2009	2009/2010	2010/2011
Total	17,100	18,910	18,719

Stabilising numbers of full-time new entrants does not by itself imply an overall stabilisation of numbers in HE—as more students choose to spend longer in HE and the demand for part-time flexible provision increases. However the stabilisation of full-time new entrants is an important signal that the ability of the sector to continue to grow in response to student demand may be severely limited.

An indication of the demand for part-time flexible provision is the recent expansion in part-time students, facilitated through the Springboard Programme, where the IoT sector has been particularly active. This may reflect possible continuing potential for expansion in this domain by the IoT sector. This would be consistent with the fact that, until very recently, the incentive to grow student numbers so as to increase grant levels did not apply in the IoTs in the same way that it applied in the universities.

2.4 The changing resource base

A key driver in this change is the very significant changes to the resource base in recent years, which has seen a significant change in levels of state funding for higher education—a change partly ameliorated by increases in the student contribution, as Figure 2 shows.

Figure 2: Change in State Funding vs Student Contribution Irish HE Sector				
	2007/08	2008/09	2009/10	2010/11
State Grant	€1,020,279	€1,019,691	€837,115	€738,711
Grant in Lieu of Fees	€377,923	€399,699	€429,253	€439,914
Student Contribution	€90,123	€101,686	€181,650	€187,746
Total	€1,488,325	€1,521,075	€1,448,018	€1,366,371
Total Students	150,279	156,410	166,060	170,529
Amount per student	€9,904	€9,725	€8,720	€8,013

Source: HEA / institutional data. Contract research income and other income (non-EU students, commercial activity, philanthropy are excluded).

In addition there has been a significant reduction in staff numbers in the system as demonstrated below.

University	Academic Staff Only	Student (WTE) Numbers	Ratio
2008–09	4795.56	89,650	18.7
2009–10	4543.98	95,061	20.9
2010–11	4426.31	106,448	24.0
IoTs	Academic Staff Only	Student (WTE) Numbers	Ratio
2008–09	4870.01	66,761	13.7
2009–10	4842.55	71,470	14.8
2010–11	4759.4	74,299	15.6

The evidence available suggests that this difficult funding position will be severely compounded by the expected surge in demand for higher education places, which will arise both from demographic increases in the numbers of school leavers and the increasing needs of adults for higher education opportunities. In this context, the challenge for Ireland is to create a sustainable system of HE that brings together funding and participation in a sustainable way.

2.5 A critical challenge – how to measure the quality of outcomes?

The process of preparing this report is dominated by the difficulty in measuring the quality of outcomes. The challenge is not unique to Ireland. The OECD in their review of tertiary education (2008) noted that “quality can be defined as the distance between an objective and a result, with the implicit assumption that quality improves as this distance shrinks”⁵. But they note this leaves scope for multiple interpretations in HE—who sets the objectives and who defines the result? Is it employers assessing work readiness on hiring, or work readiness for a career of 30 years? Is it academics measuring standards against those other academic institutions worldwide? Is it students who reflect on the ‘value added’ through their broad experiences in HE, or a broader measure of educational contribution to social cohesion, human culture and enhanced life chances. It is probably all of these.

Further complexity emerges as to the appropriate time to measure these outcomes. Perhaps some could be considered on graduation such as the level of award received. But many will take months or years to reveal themselves, as measured by the success in gaining employment, in career progression, and indeed in a multitude of measures related to quality of life.

In this spirit, this report does not attempt to provide a definitive measurement of quality in Irish higher education. Rather it uses a number of different approaches to examine different

⁵ OECD, *Tertiary Education for Knowledge Society*, vol. 1(2008), 262.

aspects of quality, so as to inform decisions on how we should shape policy on participation and funding to protect quality. Specifically, the report considers:

- national evidence in the form of institutional reviews of quality, as well as discussions with selected individuals on changes in quality in Irish HE;
- international evidence in the form of ranking of Irish institutions in international league tables;
- international evidence in the form of a benchmarking of investment in Irish higher education against an international comparator.

What is important is not any single measure here, but whether any transcending messages are emerging consistently from the analysis.

3. National evidence

3.1 Snapshots from senior institutional officers—two university presidents and the president on one larger Institute.

‘Respondent 1’ noted that there were a number of different relevant issues in any discussion of institutional funding.

In the first instance the respondent acknowledged the responsibility of HE institutions to play their part in addressing the current severe economic problems, and their important role addressing the needs of the labour force and of the unemployed.

Impact on quality

Front-line academic services have been prioritised, leading to a decline in the level of student support services with particular impact on mature students.

In academic terms, the institution has been successful in leading change through use of different forms of e-learning. However, as this places more and more emphasis on the self-directed learner, this impacts on academically weaker students and their ability to continue their course.

In reputational terms, the institution is aware that if benchmarked against competitors in the US (from which a significant proportion of international student are drawn), the institution is not able to provide the sort of infrastructure that would be expected in those institutions.

Innovations to respond to cutbacks

As noted above, the institution has used e-learning to successfully ameliorate the impact of funding costs. This has meant that otherwise negative impacts, in terms of bigger class sizes and reduced tutorials, can be minimised.

The institution has also sought to be more flexible in use of its resources. For example, notwithstanding the need for cuts in library spending, agreements have been reached with staff to maintain opening hours, through new forms of working.

Ph.D. students have become more involved in the delivery of tutorials to undergraduate students.

The extra teaching time which was delivered as part of Croke Park reforms has been focussed on 1st-year experience, tutorials and lab study.

Further innovations

The respondent suggested that more innovations could be achieved if institutions were given greater ability to manage their own resources; the need to go beyond centralised bargaining on salary and conditions, which often curtails local initiative, was cited.

Greater incentives need to be put in place to drive collaboration between institutions. This could lead to quality and efficiency improvements in strategically important subjects which had low student enrolment such as some of the sciences, which would be better shared between institutions rather than offered on a standalone basis.

Improved coordination of institutional missions would assist in negating wasteful competition between institutions.

‘Respondent 2’ noted three important issues in how this institution had addressed the recent cutbacks in funding.

Impact on quality

The cutbacks have had a direct impact on the quality of teaching and learning within the institution. Support for expensive programmes which are also vulnerable in terms of low student numbers (such as electronics) has had to be reduced.

More generally all programmes have seen reductions in the range of options that are available within the course; increasingly programmes are being reduced in scope towards a “core curriculum”.

Support services for students have been reduced and in some cases new fees, or increased fees, are being applied for activities that would previously have been free or very low-cost.

Library opening hours have been reduced.

Lifelong and continuing education, which had been an important part of activity, but which is not fully sustainable on a fee basis alone, has been quite significantly reduced, by c.30%, as the institution cannot continue to provide the necessary support.

Part-time staffing has been significantly reduced to save on pay costs—this has deprived students in many disciplines of access to practicing professionals as part of their undergraduate experience.

Weaker students were felt to be considerably more at risk than heretofore as the levels of academic and non-academic support reduces.

The institution has concerns also that its capacity to meet employers’ expectations for graduates is slipping as the sorts of learning experiences that employers value, such as small-group teaching, project work, exposure to professionals etc, are being reduced.

Institutional development

The institution has had to revisit and somewhat reduce its aims in terms of areas for strategic development, such as taught postgraduate activity, and improvements in research, development and commercialisation.

Innovation and efficiencies

The institution has undertaken significant actions to maximise institutional efficiency. An initiative to introduce modularisation has been used to eliminate provision of unnecessary modules and to maximise sharing of common modules between courses. This has created significant new teaching resources and has helped the institution to continue to grow student numbers.

The institution has also engaged in shared services and shared procurement to reduce costs, and considers that are further opportunities to build on this, especially in the context of the recommendations of the *National Strategy* for regional clusters, collaborations and institutional mergers.

‘Respondent 3’ noted that there were a number of different relevant issues in any discussion of institutional funding

In terms of direct impacts,

The institution is suffering in terms of retaining and attracting international staff. The outlook for Irish higher education has become uncertain and this is causing those who may have come here in the past to look elsewhere, while those who are here are more likely to take opportunities to pursue careers in institutions internationally.

This is particularly true in research, but, as virtually all researchers are involved in teaching, this also impacts on the quality of teaching and learning within the institution.

More generally, the cuts in recent years are having an impact on undergraduate courses. The choice of options in later years of undergraduate degrees has been limited.

The resources available to support project work have been limited. More expensive practical or undergraduate research projects are also being curtailed.

Class sizes are increasing.

The effects of cutbacks are more marked in terms of student support levels. In general front-line academic activity has been prioritised. This has meant that support services for students such as health, counselling and others has been reduced, diminishing the availability of these services for students.

In terms of innovations

However, the respondent also noted that there has been significant innovation within the institution to respond to cutbacks. Of particular note were:

New forms of teaching, particularly to deal with the emergence of larger groups.

A greater focus on programme and course structures, to ensure coherence within programmes, and to avoid unnecessary and inadvertent fragmentation and fission of programmes which was neither academically nor financially effective or efficient

An increased use of shared services and shared procurement to drive financial efficiencies.

Finally, this respondent noted that an important tool to meet future cuts/increased participation would be an agreement of greater certainty over funding levels into the medium term. In some ways the absence of certainty was as much or more of an issue than the level of cutbacks. It meant that institutions were only able to plan for efficiencies on a year-to-year basis; the scope for efficiencies on this basis was limited. However, if this time-frame could be extended to 3 or more years, the institutions may be able to plan for and implement more significant changes that could produce both greater efficiencies and improved quality.

3.2 Findings from quality assurance reviews

In preparing this report we were fortunate to have the assistance of the quality assurance agencies to provide their insights on levels of quality in Irish higher education. The findings below are based on issues identified by external expert panels through the four universities which have so far completed the second round of Institutional Reviews of Irish Universities, conducted during 2009–2011, and through 89 subject or department-specific review reports conducted over the period 2009–2011.⁶

In identifying these findings it must be noted that the approach to quality assurance within Irish higher education is one of a developmental and improvement culture. It does not seek to set minimum standards which must be complied with, for the very good reason that such an approach has in the past led to the quality agenda becoming diminished to a compliance agenda, with no dynamic towards improvement and excellence. However, it means that in an exercise such as this, it is difficult to draw on any system-wide benchmarks of quality of provision, or to extract very detailed assessments of where quality has declined.

3.2.1 Student support services

A number of issues relating to student support services have been identified in the sample of reports. The external review report of one university noted:

“There is particular concern about academic advisory and career services. Both services suffer from an acute shortage of staff relative to the demand for these services. Currently, following a recent retirement, the constraints imposed by the Employment Control Framework have left only one staff member in the academic advisory office. The career service, which also has a depleted staff complement, appears to have a low profile and, indeed, is not well known to many students. The Team recognises that strengthening these services in the current economic climate would be very challenging, but feels that some action must be taken to remedy the gaps that presently exist.”

In another university, it was noted that the Counselling Service is operating with fewer staff and dealing with a spike in the number of postgraduate students seeking support in addition to its regular caseload. Similar issues relating to student support services have also been identified during 2009–11 by expert panels through each university’s own internal quality review processes. As well as a senior Irish academic from another institution, these panels typically include a senior academic from outside Ireland and an external non-academic (usually from industry) representative.

A number of examples include:

“The growth in student numbers at a time when the staff resources are being depleted as a result of the Employment Control Framework has impacted significantly on the university. It is clear that some services in Student Services are under-staffed. Staff have responded

⁶ An online catalogue of all reviews in the university sector can be found at <http://reviews.iugb.net/>. Institutional and other reviews undertaken by HETAC can be found at http://www.hetac.ie/publications_reports.htm

excellently but there is a real danger that, in trying to do more with less, staff may put themselves under pressure by not taking annual leave due or by working very long hours.”

“It is obvious that there is a clear need for academic advisory services for students. Whether this is done by the Academic Advisory Office in its current context or indeed under the umbrella of the Registrar’s Office or the Faculty’s Offices is a matter for the university to consider. The current situation urgently needs to be reviewed due to the departure and non-replacement of the previous experienced academic staff member of standing, there is evidence that the office is overworked and under resourced. Accordingly it is recommended that the university address this issue as a matter of urgency and put in place a more appropriately resourced office or alternative structure”.

“The Student Health Service is highly utilised, with 17,833 consultations in 2008. A survey of users has indicated that there is a rate of 77% to 79% satisfaction to extremely high satisfaction with the overall quality of service and with the amount of time given during appointments. The demand for service is far outstripping the resources available. Students are turned away daily, placed on a waiting list and referred to outside providers. If possible, an increase in available hours especially at the peak times in the semester needs to be achieved. While staffing adjustments have been made to shift hours from out of term (December, March and summer) to term-time, additional staff changes may need to be made. In the past two years, the Student Health Service has had significant budget reductions and more are anticipated due to the severe economic conditions. Staffing has been reduced and during term-time in excess of 30 students are turned away daily due to lack of capacity.”

These expert opinions from quality assurance exercises regarding the challenges being faced by student support services can also be supplemented by some internal data from within the universities:

University X:

- The numbers of students seeking counselling have risen from 821 in 2007–08 to 1150 in 2010–11, an increase of 40% over 3 years.
- Demand has risen across all categories of students, undergraduate and postgraduate.
- The number of students waiting more than 10 days (the clinically acceptable maximum) for a counselling appointment in 2010–11 was 282, 25% of all students seeking counselling.
- Staff numbers in the student counselling service have decreased by the equivalent of 2 FTE during the 2009–10 to 2010–11 period, i.e. by more than 20%.

University Y:

- The numbers of students seeking counselling have risen from 655 in 2007–08 to 878 in 2010–11, an increase of 34% over 3 years.

- The numbers of counselling interviews which took place with these students increased from 3982 in 2007–08 to 6224 in 2010–11, an increase of 56%.
- Given the loss of a half-time post in counselling services, there are 12 fewer hours contact time with students per week.
- In order to meet the increase in demand and to cover the decrease in staff, student counselling interviews provided by “volunteers” (trainee counsellors) have increased from 358 in 2007–08 to 1120 in 2010–11, an increase of over 200%. However, during this period the overall satisfaction of students with the counselling services has declined steadily.
- Additional specific support posts have also been lost at University Y, with a direct impact on student services. These include:
 - Drug and Alcohol Counsellor
 - Head of Sports services
 - Sports development services
 - A Disability Office post on sick leave that cannot be replaced
 - There is now only one Careers Advisor for the entire student body.

In terms of student counselling services, student feedback since 2006–07 has been consistent:

- the support of the student counselling service is an important factor in keeping the student enrolled at University X (between 36–45% strongly agree/agree over the last five years)
- attendance at student counselling service has improved the student’s course performance at University X (between 43–48% strongly agree/agree over the last five years)

Given the increased numbers seeking counselling, the decreased availability of professional staff to provide counselling services, and the increased waiting times for students, these all give serious cause for concern regarding the potential impacts on student performance and completion. The data show that students from the access, disability, mature and international target groups are proportionally heavier users of counselling services than other categories of students. It can therefore be expected that the decreased availability of professional counselling staff and increased waiting times will affect these categories of studies (which are all national target groups) proportionally more than other students.

As students’ financial difficulties become more widespread (data from University X shows that 1st-year students now include financial problems among their top 3 difficulties: this was not the case until 2010) the importance of student counselling and other services will continue to grow in order to help students successfully progress through higher education. Data from University Y also show that students in 2010–11 turned to the university’s counselling services much more systematically than in 2008–09, when a majority of students saw their student peers as the first source of support. This is no longer the case.

3.2.2 Teaching and learning experience

The evidence provided through interviews with senior institutional officers (see Section 3.1 above) is backed up by the QA review reports across the universities. The following excerpts

provide some examples of qualitative challenges in the field of teaching and learning, with a particular emphasis on the undergraduate student experience:

“Staff report that there are not as many modules available to students as in previous years due to staff cutbacks which results in fewer choices for the students. At the same time, students are very concerned about the increase in enrolments in specific modules. In their own words, they wrote the following: “The limited staff means that the pressure placed upon staffing issues due to unforeseen circumstances throws much of the department into disarray. Lecturers do try and deal with this as best they can.” Having acknowledged the fact that they appreciate being taught by experts in their fields of study, students are concerned that the current budget shortfall has necessitated the use of non-specialists in the teaching of certain lectures.”

“Budgetary limitations represent a constraint on the efficient and effective operation of the discipline. This is felt both through constraints placed on teaching, such as the reduction of the tutorial programme and the curtailing of a visiting speaker series, and has in addition jeopardized plans for conferences and other scholarly activities. Such constraints have also resulted in cuts in the part-time teaching budget that have resulted in the loss of provision in some important areas of the discipline and therefore a narrowing of the overall curriculum and consequent opportunities for student learning.”

“Budgetary constraints also make the further development of activities such as Summer Schools more difficult due to the lack of funding available for the development and advertising of such programmes.”

“The dependence on hourly staff to deliver a significant portion of the unit's undergraduate teaching provision is also a concern. Were this to be cut it could easily make staff teaching workloads untenable, or render the undergraduate programme non-viable in its current form”.

Further examples from various schools (in STEM areas) at university Z provide additional evidence of the current situation on the teaching and learning experience:

- The non-replacement of academic staff, both contract and permanent, is resulting in the dropping of some modules from the fourth-year programme, and increased teaching loads for all staff;
- The increased number of students for final-year projects due to staff shortages puts increased pressure on research laboratory personnel and resources;
- A reduction in the number of full-time technicians from five to four has meant that cover in the large undergraduate teaching laboratories has been reduced, with one technician being responsible for two laboratories running at the same time;
- The general lack of capital funding is impacting on all aspects of undergraduate teaching laboratory maintenance.

- The inability to purchase new experiments for laboratories has meant that the number of students on one experiment has been increased from two to three, because of the increased intake of 1st-year physics students.
- The non-placement of students for work-placements (due to reductions in that area) falls back on the school to provide an equivalent experience;
- The school's inability to upgrade the computer facilities which are required for many undergraduate modules is impacting on plans to introduce more online teaching;

In addition, key learning services provided by the Library are also being affected by the reduced staffing and funding during recent years. Some examples from university Z illustrate the current situation:

- The halving of the library book budget, and the halving of the inter-library loans budget in 2010/2011 have had major impacts on university teaching and learning activities.
- Due to staff shortages, service rotas have been severely disrupted. The library had to cease serviced opening on Friday evenings throughout the academic year 2010–2011. The library was opened with a security presence only.
- The library Information Desk, which is the central library information point for students, has either had to be closed, or has had to have staff drawn from other operational areas to service it.
- The loss of a chief cataloguer position has in general slowed certain processes and prevented others from being carried out. In particular, it has reduced processing times so that material takes longer to get to shelves; affected the timeliness of information in catalogues; and slowed the necessary technical upgrades
- Other student support services at the library, e.g. a roving support service for students at busy periods throughout the year, have had to be eliminated or severely curtailed.

Cuts in other budget heads, inter alia, have delayed system enhancement, prevented replacement of IT equipment, prevented or postponed building refurbishment, and reduced the training programme.

3.2.3 Research and postgraduate technical support

As for teaching and learning, the other pieces of evidence can be backed up by findings coming through the QA reports:

“The College needs to address the inadequate administrative and technical support available to the School. At a minimum there is the need for one extra administrator and one technical Research Manager.”

“It was also noted that technical support was a matter of concern for all departments. Language learning has no technical support, and there is no dedicated technical support in [the School]. Responsibility falls to lecturers for maintaining software which is an inappropriate use of academic time. Although the panel recognised this was a funding

matter, it should be noted that in comparable universities technical support would be seen as a core requirement.”

“There are considerably fewer technical staff than in many comparator departments, and these mainly support teaching and general service activities rather than research. We recommend that serious consideration be given to a staffing model in which technical posts in support of research are underwritten against recovery of salaries on grants.”

4. International evidence: findings from international league tables

“In the intensely competitive global environment, the economic fortunes of every country are increasingly determined by the quality of its national education and innovation systems”

⁷

The Irish higher education system operates in an increasingly global and competitive environment and this is illustrated by the proliferation of globalised university rankings and the publicity associated with their annual publication. At a general level, Ireland performs relatively well with all 7 of our universities and the DIT appearing in the top 500 or 600 institutions. This means that they are all among the top 5% of higher education institutions globally. However, the ranking of Irish universities has declined severely in the last two years and it is important to understand this decline and its implications for the sustainability of Irish higher education. In the *QS World University Rankings*, all Irish universities (with the exception of UCC) have seen a fall in their rankings over the last two years, which is severe in many cases. Likewise, in the *Times Higher Education World University Rankings (THE)*, Irish universities rankings collapsed quite dramatically between 2010 and 2011, by approximately 50 places in many cases. From a position where we had two universities in the top 100 in 2010, we no longer have any institution in the top 100 in the latest THE rankings.

While the direct financial implications of recession are contributing to the lower rankings of recent years, particularly through increases in staff–student ratios, the QS and THE increasingly rely on reputation surveys of academics and of employers to inform their judgements on the quality of teaching and research in higher education institutions. For example, the THE 2011 rankings draws from a survey of 17,500 academics across 137 countries and the reputational scores account for a total of 33% of the overall ranking (15% for teaching reputation and 18% for research reputation). In the QS rankings, academic reputation counts for 40% of the score and employer reputation counts for a further 10%. Analysis of the detail of the QS and the THE rankings suggest that while the employer reputation ratings remained high for Irish universities (and increased in some cases), all our institutions fell heavily in their academic reputation ranking. This decline was apparent in the QS rankings and is particularly notable in the latest THE rankings where the academic

⁷ National Strategy for Higher Education to 2030, p.31

reputation of Irish universities has effectively collapsed over the last year. This plummeting of the international reputation of Irish higher education extends across all universities and disciplines and appears to be particularly severe in the areas of science, engineering and technology.

Interestingly, Irish universities continue to do well on key dimensions of performance and the impact of Irish research is at an all-time high. TCD and UCD perform at the very highest levels internationally in terms of 'citations per paper' but this excellence is undermined by declining income levels, increases in staff–student ratios and by the greatly weakened reputation of their teaching and research.

These findings are somewhat contradictory—reputation has declined, while performance in some aspects appears to continue to be high. These may be reconciled by the lagged impact of declining resources on performance. In particular, research citations score in any one year is a product of successive years of effort and investment. This is also true in respect of employers' views, where the performance of successive cohorts over a period of time will be more significant than the impact of this year's graduate intake. Therefore in these citations, we may be seeing the product of performance that took place in the early to middle parts of the last decade. It would be, to say the least, highly regrettable if the advances which Irish higher education has made in the past decade due to institutional effort and public investment were now to be reversed due to unsustainability in funding.

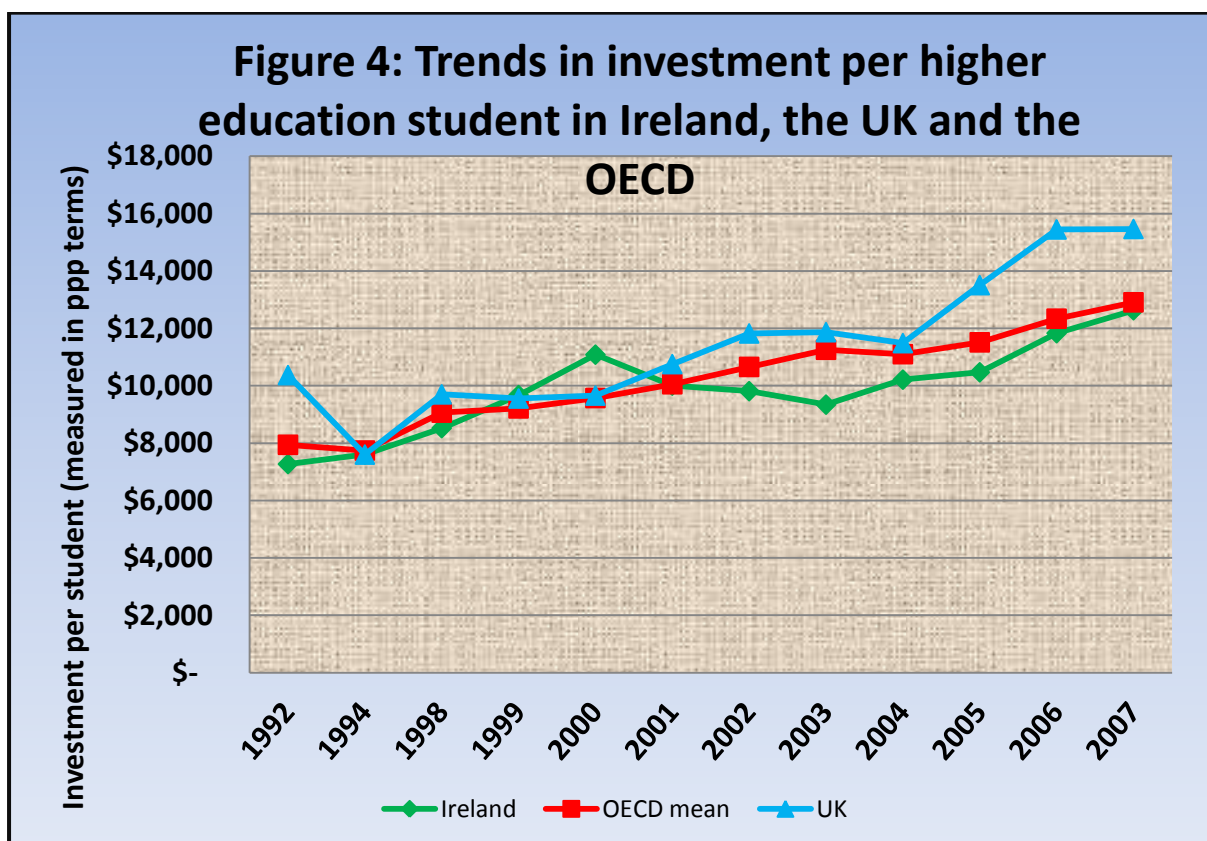
5. Benchmarking Irish funding of HE

5.1 Trends in the financing of higher education—Ireland in an international context

In attempting to benchmark funding of Irish higher education, the traditional source of information has been OECD's annual publication *Education at a Glance*. This provides data on all OECD members and partners on spending, and students. However, the data in the publication is always some years behind current developments. In order to get more up to date assessments, the only option is to examine in detail data from our own system and seek to match it against a selected benchmark country or countries. Accordingly the report sets out below both the most recent OECD data and an approach that updates that data using a selected benchmark comparison.

5.2 OECD benchmarks

Education at a Glance suggests that up to 2007 Ireland has invested in higher education at a level that has remained close to international/OECD average levels of investment. Ireland is one of only a few countries that have avoided an escalation in the unit of investment as higher education has expanded over the last decade as Figure 4 below demonstrates.



Source: OECD *Education at a Glance*

However, of more concern is the need to understand the very significant changes in recent years, and to plan for the changes that are projected in demand for higher education.

6. Individualised benchmarking

6.1 Methodology

In approaching the task for developing a more up-to-date set of benchmark results, there were a number of difficulties in respect of methodology. Issues such as diversity of funding sources, treatments of pensions and research funding, and comparability of student numbers all made this a difficult task. The full issues around methodology and the approaches taken in the light of these challenges are set out in Appendix 2. However it should be noted that the comparisons take no account of capital funding. This is quite significant for Ireland as there is evidence that the existing stock of capital has important deficiencies, and further growth in student numbers will also require additional capital investment.

Selection of international comparator

As part of this exercise, the HEA communicated with officials in England, Australia and New Zealand who gave helpful advice in how their systems operate, and issues surrounding the unit of investment in teaching and learning. In order to expedite progress, the international comparisons were confined to England. The reasons for selection of England are as follows:

- Relatively similar funding models apply in both jurisdictions;
- English higher education is well regarded internationally (as reflected in the high levels of international students attending and the consistently high performance of certain institutions in international league tables);
- The issue of sustainability of higher education has received considerable attention in recent years;⁸
- Geographical proximity assists in following up on data queries and site visits;
- Valuable consultancy expertise available from the UK which can comment authoritatively on funding of both systems.⁹

6.2 England – policy context

As identified above there has been considerable attention paid to the issue of sustainability of teaching and learning in England. In general, England might be said to be considerably further advanced than Ireland in this regard. As noted above, there has already been extensive work on sustainability at a system level and there is now considerable focus on the issue of how individual institutions take responsibility for their own sustainability, incorporated into their governance and strategic planning functions. Figure 5 below is taken from the HEFCE report on *Sustainability of Learning and Teaching in English Higher*

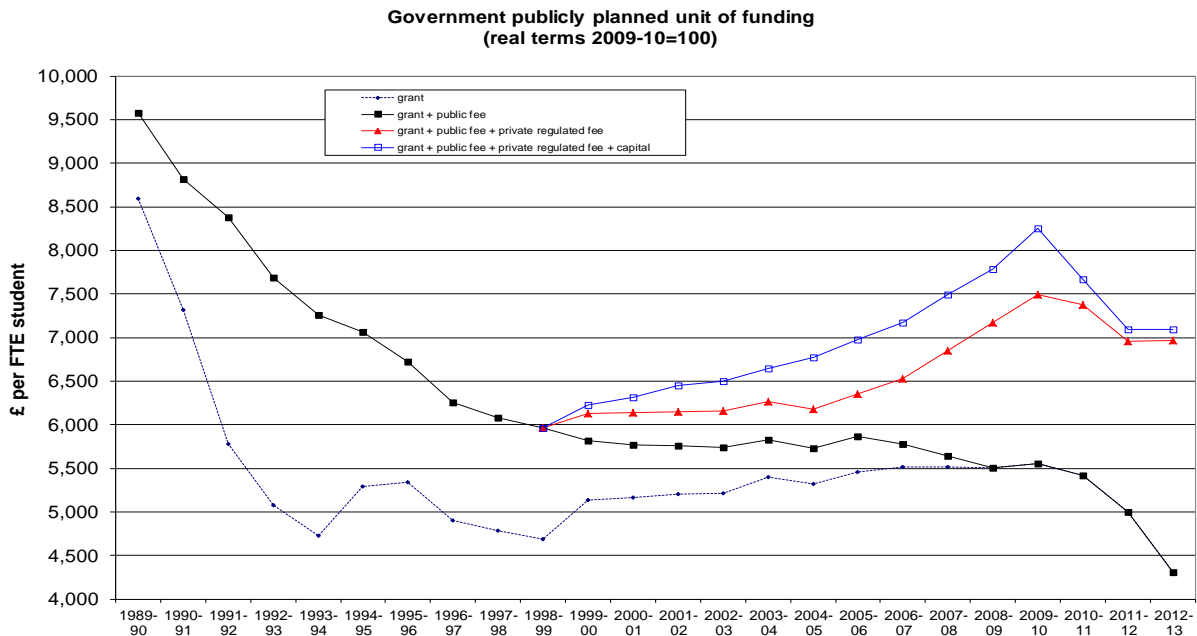
⁸ See <http://www.hefce.ac.uk/finance/fundinghe/trac/fssg/>

⁹ HEA were fortunate to have the advice of Dr. Jim Port to assist in the preparation of this report and particularly to advise on comparison with the English system, of funding of higher educational. Dr. Port has advised HEFCE for many years on issues relating to higher education and has done particular work in relation to sustainability of higher education.

Education (2008). It indicates the sharp decline in funding of the system at the end of the 1990s and beginning of this century and the gradual recovery since then.

Figure 5

Government Funding of Higher Education in England



This is an important and revealing graph. It demonstrates how low the unit of investment was driven in the UK over the last 20 years, and the actions that have been taken to bring this back towards a more sustainable level. The Government launched a large expansion in the 1990s but this was only partly funded. As a result the system was becoming larger with reducing public funding in real terms and evident strains on quality began to appear during the 1990s and early 2000s. It took some years for the Government and policy makers to realise that this was unsustainable (there is a time-lag before reducing investment feeds through into clear indicators of stress).

It is also noteworthy, when reviewing relevant English reports on higher education, that there is an awareness that the system was driven to breaking point through those cuts, and the consequent attention that is now paid to protecting the unit of investment. For example, the government has acknowledged that the 1990s' expansion of student numbers was allowed to happen "unsustainably, and without proper financial support to providers".¹⁰

Equally it is noteworthy how the concept of a unit of investment and commitment to maintain that unit of investment have become part of the discourse, as illustrated by the British Secretary of State's comment, "I have nevertheless been able to ensure that the unit of funding, including critically the unit of funding for teaching, will be maintained in real

¹⁰HEFCE, *Sustainability of Learning and Teaching in English Higher Education* (Bristol: HEFCE, 2008).

terms throughout the next three-year period.”¹¹ Finally the very title of the Browne review (2010) demonstrates the centrality of the concept of sustainability in the policy discourse— *Securing a Sustainable Future for Higher Education*..

6.3 Using different approaches to understand funding comparisons

Even when narrowing the analysis of funding to one comparator country, complexity remains. The system of comparison is importance. If the breadth of analysis is very wide, important subsidiary detail can be lost. If the analysis is quite narrow, a distorted picture may emerge because, for example important funding streams have been left out. To try and address this, 2 different approaches have been taken and are described below.

7 Approaches to comparing investment in Irish and English higher education ¹²

7.1 Approach 1: an RGAM- led comparison

For this approach, further work was undertaken to provide a more insightful basis for comparison. This approach is based on the close similarities between funding systems in England and Ireland. Broadly speaking in both cases, core funding for institutions is allocated via a formulaic approach, which takes account both of the number of students and the relative costs of their courses of study. A significant difference is that research students are included in the Irish RGAM but not in the English system.

This system enables the HEA and HEFCE to allocate the grant available by reference to overall student numbers, while taking account of the distribution between the price groups. It enables the calculation of what is known as the standard resource, i.e. the sum allocated in respect of a student studying a course at the lowest price group. The position in respect of student contributions is not quite as similar. In Ireland student fees are paid by the Exchequer. This is managed by the HEA, and is top-sliced from the funding allocated for higher education. Secondly, each undergraduate student also pays a contribution which is now at €2000.¹³ In the UK, prior to the Browne report, each undergraduate student paid a student fee of £3,000. Accordingly, building on the similarity of the two funding models, this approach compares the standard resource allocated by HEA and HEFCE, together with student contributions and the grant in lieu of fees paid in Ireland.

The results of this analysis are as follows

	2009–10	2010–11
Irish Data	€8,380	€7,560
UK Data (in € adjusted for PPP)	€10,328	€9,777

¹¹ Sec of State Grant letter to HEFCE 2004. <http://www.hefce.ac.uk/news/hefce/2004/grantletter/letter.asp>

¹² Details of assumptions made in the calculations and all caveats are contained in Appendix 2

¹³ The contribution has increased over the years in question, from €900 in 2008 to €1500 in 2010.

The results indicate that

- Irish funding per student has declined significantly over the last 2 years, driven by student-number increases and by cuts in funding.
- Relative to England, Irish funding is significantly lower, 23% lower in 2009/10 and 29% lower in 2010/11.

Advantages of this approach

The advantage offered by this approach is that the influence of all income other than state investment and undergraduate student contributions is removed. This helps us to answer the question as to whether the English system might be better funded because of advantages in raising other income. In fact we can see that the English system appears to be both better able to derive other income than the Irish system and is also better funded in the core education budget (plus student contribution) than that in Ireland.

Limitations of this approach

Because the IoT sector has traditionally not been funded on a RGAM basis, data is unavailable for the standard resource applying in that sector before 2009. Accordingly, the analysis is limited to the last two years. As discussed previously pensions treatment is different between the systems and the approach does not take account of this difference. An educated but tentative estimate of the size of this difference and would suggest that in the case of the pay-as-you-go institutions it amounts to about 15% of pay costs. This effectively reduces the disparity in investment between Ireland and England.

Research

Research treatment is different between the two systems. While in both cases institutions can compete for and earn contract research, the core funding for research is contained within the Irish funding allocations, whereas it is allocated separately to English universities. Therefore the investment per student for Irish universities should be somewhat smaller than is presented. We have made a rough and tentative estimate of this difference and suggest that, in the case of the universities, it might be about 20% of the grant and in the institutes sector about 2%. This is based on the weighted share of research students in the system.

Top slices

In both England and Ireland, top slices are deducted by HEFCE / HEA from the overall grant available to meet other important costs which support teaching and learning but are not shown in the standard resource. The most significant top slice is in respect of widening access, but includes others. In 2010 this amounted to about 16% of the total funding

available for teaching and learning in England. In Ireland this amounted to only 7%. Therefore the comparison above would seem to understate the investment by the UK.

7.3 Approach 2 Comparing Total Public Investment

In light of the limitations in Approach 1, a second approach is also provided. Rather than limit the analysis to RGAM funding, this approach tries to take into account the full range of public funding (excluding contract research), and furthermore makes adjustments to the Irish data to attempt to reconcile to the English data in respect of pensions and research. This is the most comprehensive attempt to compare funding. Unfortunately and inevitably it also contains more caveats than the preceding approach.

Irish funding data was compiled using the accounts and funding statements of the institutes and the universities respectively. Income arising from contract research, and non-EU students was excluded. Adjustments were made to take account of pension treatment (see Appendix 3) and a notional proportion of funding which is used for research purposes. English funding data was compiled using data from HEFCE and from the 2008 report, *The Sustainability of Learning and Teaching in English Higher Education*. (See Figure 5 above.) The results of this analysis are as follows.

Figure 7: Comparing Total Public Investment				
	2007–08	2008–09	2009–10	2010–11
IRELAND	€10,350	€10,310	€9,378	€8,602
UK	€9,764	€10,238	€10,549	€10,249

Advantages of this approach over Approach 1

This approach enables us to take a broader view of the funding of the institutions. The starting point is institutional accounts in Ireland, and a broad measure of funding for teaching and learning in England, rather than purely reports of HEA or HEFCE agency allocations. This means that other sources of public funding not addressed in Approach 1 can be included e.g. funds from the HEA that are not part of the core grant (such as SIF), the top slices from the core grants, and funding for teaching and learning from other Government departments. This approach has also attempted to make adjustments for differences in research and pension. It should be stressed that these are necessarily approximate—it would be very difficult to make completely precise comparisons.

Findings

The broad findings are consistent with Approach 1 but the scale of difference is lower. Irish funding is again lower than that in the England. In 2009/10 it emerges as 12.5% lower and in 2010/11 it is 19% lower.

8 Projected future demand

8.1 Costs of meeting projected increased demand

Figure 8 sets out the likely costs of meeting the future demand for higher education, as forecast in the latest official projections of future demand.¹⁴ The cost is based on the current spend per student as used in Figure 1. Not all of this extra spend will fall to the Exchequer, as students currently contribute €2000 annually also. This is reflected in the table to give a net additional spend for the Exchequer. However, in addition to this, the likelihood is that many of these increased student numbers will be eligible for state support and that therefore the student support grant allocation will increase.

Figure 8:

Projections of Enrolment and Cumulative Cost to State

Year	Projected Enrolment	Cost at 2010 (millions)	Additional Cost (millions)	Share of additional cost met by student contribution (millions)	Net additional cost to state (millions)
2010	161,800	€1,297			
2011	170,300	€1,365	€68	€17	€51
2012	176,600	€1,415	€119	€30	€89
2013	183,100	€1,467	€171	€43	€128
2014	190,200	€1,524	€228	€57	€171
2015	197,800	€1,585	€288	€72	€216

8.2 Implications for unit of resource if expected demand is enrolled

Figure 9 below sets out the projected decline in the unit of resource if demand is accommodated and overall funding is static. Inevitably the unit of resource declines steadily to less than 82% of current levels in 2015. It should be noted that this is an optimistic scenario as there is a strong likelihood that further reductions in public funding will occur between now and 2014. If for example funding fell by 3% for each of the next 3 years the unit of resources would reach 75% of 2010/11 levels by 2015.

¹⁴ Department of Education and Science (2011) Projections of full time enrolment at Primary, Second and Higher level, 2011 – 2031. Available at <http://www.education.ie/home/home.jsp?maincat=&pcategory=17216&ecategory=52107§ionpage=&subject=52111&language=EN&link=&page=>

Figure 9:

Implications for Unit of Resource with All Demand Accommodated and Funding Static

Year	Projected Enrolment	Cost at 2010 (millions)	Unit of resource	Unit resource as % of 2010 figures
2010	161,800	€1,297	€8,013	
2011	170,300	€1,297	€7,616	95.05%
2012	176,600	€1,297	€7,344	91.65%
2013	183,100	€1,297	€7,084	88.40%
2014	190,200	€1,297	€6,819	85.10%
2015	197,800	€1,297	€6,557	81.83%

8.3 What level of unmet demand will be created if unit of resource is protected?

Figure 10 uses similar data to present a different outcome. In this case the level of new entrants is maintained, which stabilises the unit of funding. To estimate this, we have used the Department for Education and Skills projections of the new entrants to higher education in each year. (International students were excluded on the basis that they should be self-funding). We have compared this with the actual new entrants in 2010/11 and identified the difference.

Year	New entrants minus out of state	Unmet demand	Cumulative unmet demand
2010/11	38,360		
2011/12	39,541	1,181	1,181
2012/13	39,526	1,166	2,347
2013/14	40,815	2,455	4,802
2014/15	42,336	3,977	8,779
2015/16	43,886	5,527	14,306

Source - adapted from Department for Education and Skills projections for demand for HE

The fact that there would be demand that is not met by the publicly funded sector in this scenario does not necessarily mean that the individuals who cannot gain entry will not access higher education. They may do through other routes, such as private provision or non-Irish colleges. It does however point to an imminent and sustained increase in competition for entry to publicly funded higher education institutions.

9. Conclusion, possible strategies and recommendations

As noted earlier in this report, there is considerable difficulty in measuring the quality of outcomes in higher education and the related issue of the relationship between resources and quality—difficulties recognised internationally. For that reason this study used a variety of approaches to examine quality from different aspects. The picture emerging from the study indicates that the quality of the student experience in Irish higher education has come under severe pressure in recent years, and will inevitably decline in the years ahead unless action is taken to address sustainability of funding. The basic challenge remains—to develop a strategy that can balance participation, quality and public cost.

6 basic strategies are set out here.

Increase enrolments while maintaining the current level of funding

The immediate assumption is that this approach will lead to a reduction in quality—**and it will except in certain circumstances**. The circumstances are where an institution can enrol additional students whose fees (€2000) exceed or equal the marginal cost involved. In an Irish context, the evidence gathered in this study indicates that there is likely to be little scope for this approach generally, although there may be areas in the system where it would apply. It is in this context that we recommend that the HEA explores this matter more fully with institutions. Of course, if public funding continues to fall this further limits the practicality of this strategy.

Control enrolments

A more obvious solution is to control the numbers entering higher education. Countries such as the UK (and more specifically England) have (prior to the Browne report) controlled growth in numbers to align that with a desired unit of investment (see footnote 11 above). This is activated by setting target numbers for all institutions, and by penalising institutions that recruit beyond that target number. This strategy has the advantage that it is likely to ensure that quality is not damaged as the resource per student remains constant. If implemented, it could also be used to reduce current student numbers to a point where the resources available are regarded as sufficient to guarantee quality outcomes. On the other hand caps on enrolments are likely to impact very negatively on equity of access as competition for places would increase significantly.

There is now evidence that, without any direct state involvement, individual institutions are already limiting the numbers of new entrants to the HE system so as not to exceed their capacity to teach, and to protect quality of the student experience. If this gathers pace then the system as a whole will enter a period of consolidation rather than growth. Many potential students will not be able to enter higher education, at least not the publicly funded system; and instead of growing, numbers of graduates will also stabilise.

Increase fee levels

An alternative approach, used by purely private higher education institutions, is to use the fee mechanism as a regulating mechanism. Fees are set at a level that will provide sufficient quality to attract fee-paying students, and together with other income, allow the institution to cover the cost of the delivery of the courses. As with a cap on enrolments, the implications for access for students from economically disadvantaged backgrounds are obvious, unless appropriate supports are put in place.

Create alternative sources of income that will subsidise teaching and learning costs

Internationally there is a trend for increased funding of higher education from non-governmental sources. This would in theory allow for an increase in enrolments without any demand on the exchequer. However, the main such source of non-governmental funding is student contributions. When these are excluded, other income from commercial activity, philanthropy etc will not have sufficient impact.

Demand-led funding models

A further alternative is that the state directly links its funding of higher education to enrolments; the more students that enrol the greater the public grant to the institution. It is not known that any system actually operates on this basis. (However, it is understood that in Scotland and Wales, both executives are committed to subsidising students so as to reduce the impact of the higher fees emerging in England). In an Irish context this strategy is entirely impractical.

Reform to Deliver Greater Productivity

Another important strategy is reform so as to deliver an increased output with the same or fewer resources. Such reforms could be through changes in work practices, better use of existing capital, innovation and others. The *National Strategy* has laid out a significant agenda of work in this regard. Some essential areas are the greater responsibility of HEA to co-ordinate investment so as to eliminate unnecessary duplication of provision, and to foster a more co-ordinated system approach.

Recommendations

In the short term the following options should be considered:

1. Implementation of the full range of recommendations made in the National Strategy aimed at greater efficiencies and effectiveness should be vigorously pursued.
2. The financial planning framework for HE should move to a three-year multi-annual basis. This change could be made immediately and would significantly assist institutions in dealing with funding reductions and support the efficiency agenda through the introduction of greater certainty of funding for the institutions on the basis of 3-year rather than annual budget allocations. This would allow resource management to be undertaken on a planned, medium-term strategic basis rather than on an *ad hoc* basis. This approach is entirely consistent with the recent Government decision to move to medium-term expenditure frameworks.
3. The HEA should review its funding models so as to ensure that, where there is any potential for continued growth in the HE system, this should be encouraged and supported (see above the discussion on increasing enrolments while keeping resources steady). In particular, in view of the needs for up-skilling both the employed and unemployed, there should be a particular focus on part-time provision at NFQ levels 6 and 7 where there are strong arguments for increased provision.
4. If and when further declines in public funding for higher education become necessary, the level of student contribution should be increased to compensate.

In the longer term, to meet the trends of increasing demand for HE, there is an urgent need to start work now to prepare for a sustainable system with a sustainable funding base. In the absence of the capacity to increase public investment, this can only mean raising the level of contribution to the cost of education from students. There is a risk in this that financial barriers will arise that will prevent the realisation of talent and potential at the individual and national level, unless measures such as student-loan facilities are also put in place.

The establishment of a student loan facility represents a long-term investment in addressing the structural skills deficit in the Irish workforce associated with levels of educational attainment of adults in the workforce that are low by international standards; in putting in place a sustainable higher education system; and in ensuring that the increased financial contribution that is now required from students does not entail the introduction of new barriers that will compromise equitable access.

While ideally a loan scheme would be comprehensive covering both tuition fees and maintenance, in the current context of severely restricted public funding work should be undertaken to examine what scope exists to introduce a loan scheme covering tuition fees. The current cost of the exchequer paid tuition fees scheme is of the order of c.€400m per annum, for c.130,000 EU undergraduate students.

10. Areas for further research and consideration.

This report should be seen as an interim one. The process of identifying strategies to align participation, quality and funding is not complete. In the preparation of the report a number of other lines of inquiry suggested themselves which require considerably more time and resources than the current exercise allowed. These include:

- Incorporate the further education sector into the study to consider whether it might also have a role to play in managing demand for higher education. It may be the case that a better supply of FE places might be beneficial both to students and the higher education system.
- Consider the funding of countries (in addition to England) so as to improve the scope of our benchmarking and provide better insight into the relative position of Irish higher education
- The measurement of quality needs to be improved. Greater attention to institutional reviews by the IUQB and HETAC, as well as implementation of some of the recommendations of the *National Strategy* in areas such as employer and student-feedback, would be very important in this regard.
- Consider how options such as flexible and distance learning might provide important ways to meet some of the projected future demand for higher education more efficiently.
- This analysis considers sectoral performance. However within the sector there may be some institutions that are able to increase student numbers while maintaining quality, while others may need to reduce their enrolments to protect quality. Further inquiry is needed to understand if such differences exist and what actions can best achieve desired outcomes.

That said, the conclusions in this report stand on the evidence available now and while action on these and perhaps other fronts may give us an on-going greater understanding of the dynamics of funding and quality, it would be unwise to await the outcome of this further work before taking action to protect the quality of the higher education system.

Appendix 1
Summary Terms of Reference
Sustainability Study

In line with the *National Strategy for Higher Education*, the HEA will report to the Minister on the current position of the Irish HE system in terms of student-numbers growth, funding and measures of quality; recent trends in this regard; and, having regard to potential funding arrangements, the implications of future growth on system sustainability. Specifically the report will

1. Report on the current position of Irish HE in terms of quality measures, student growth patterns, funding allocations and recent trends
2. Carry out initial comparisons with a small number of other systems
3. Report on implications of future participation growth scenarios on system sustainability having regard to overall quality objectives, potential future funding options, potential demand factors and potential productivity improvements within the system
4. Outline any areas for further analysis

The report will be ready for consideration in early September.¹⁵

¹⁵ With the agreement of Department for Education and Skills this was extended to mid-October

Appendix 2 Notes on sources of data

General assumptions made in respect of the student numbers that have been used (e.g. conversion of part-time rates, categories that are excluded like non-EU)

Student Numbers

The student numbers that have been used are those numbers extracted from the Student Records System. These numbers are supplied and signed off by the Registrar in the institutions. The census date is the 1st March. The numbers included are full and part-time, undergraduate and postgraduate, NFQ level 6–10.

The following students have been excluded from the institutes of technology:

- Foundation
- Non-3rd-Level Access/ Up-skilling
- FETAC Certificate
- FETAC Advanced Certificate

In both the cases of the institutes and the universities, the part-time numbers have been weighted at 0.5. In the case of the institutes of technology, the apprentice numbers have been divided by 2 and added to the general total. The apprentice numbers are as per calendar year and have been matched up on the basis that 2010 = 2009/10, 2009 = 2008/09 etc.

Approach One: assumptions

The standard resource from the universities and the IOTs was used as the basis for this. In order to make it comparable with HEFCE's standard resource, an average fee (taken from the fee claims) was added along with the student contribution for that particular year. Because HEFCE's standard resource also funds postgraduate taught courses, the full-time and part time undergraduate and postgraduate taught numbers were combined (taken from the Student Records System). The funding for nursing along with nursing student numbers (supplied by DOH) and the funding for apprenticeships and weighted apprentice numbers was also added in and a sectoral resource for comparison purposes was arrived at.

Approach Two: assumptions – student numbers

Master's (Research) and Ph.D. students have been removed from the total.

Full-time undergraduate, non-EU students have been removed from the student numbers also. This information came from the free fees claims. The 2010/11 numbers have come from the Student Record System and are provisional.

Approach Two: assumptions - treatment of income (e.g. the exclusion of contract research, the inclusion of other income etc)

The income that has been included for this purpose is the recurrent funding—that which appears in the income and expenditure of the funding statements of the institutions. Contract research funding has been excluded from the calculations. A notional amount of research income has been subtracted from the grant the fees and the other income. This calculation was based on the percentage of research students in the institutions for that academic year. This comparison was used as HEFCE does not fund research students in its grant allocations.

The 2009/10 figures are from draft accounts. For 2010/11, the figures have been taken from the 2011 budget submissions. Some adjustments have been made to make the information comparable. However, in some instance there is a level of under-estimation that must be acknowledged.

Approach 2 Research funding contained within the core grant

As detailed above, the recurrent income is adjusted to remove research and the research student numbers have also been removed. Contract research income is excluded for the purpose of the exercise.

Approach 2: pension adjustment for all institutions

In Approach 2 adjustments were made for difference in the treatment of pensions in England and Ireland. In the case of the IOTs, UL and DCU, pay costs are increased by 15% to accommodate these different pension arrangements.

Appendix 3

Differences in pensions treatments between English and Irish higher education

While there are many similarities between pensions in English and Irish HE there are also some important differences.

Group 1: the pre-'92 universities in England and 5 Irish universities.

In both systems there has been a group of institutions which (until this year) have very similar approaches to pensions. Essentially these institutions were themselves responsible for collecting employee contributions, and making employer contributions from existing allocations, and had associated pension funds that paid pensions to retiring staff. In Ireland these institutions were 5 of the universities, UCD, TCD, NUIM, NUIG, and UCC. In England these were the pre-'92 universities.

Group 2: 2 Irish universities, UL and DCU

In UL and DCU pay-as-you-go pension schemes are in place and accordingly the state grant allocated to UL and DCU is calculated net of employee or employer pension contributions. Pension costs of retired staff are however funded from annual grant allocations to those institutions.

Group 3: the post-'92 universities - England

A second set of institutions are those which are not fully autonomous but neither fully part of the state. These are the post-'92 universities in England. There is no equivalent in Ireland. In this case, the institutions contribute to a central pension scheme. However, the scheme is not fully funded—the deficit in the 09/10 resource accounts was £2.5 billion. The deficits in any one year are met by the Treasury. However, it is not possible to quantify the extent to which the Treasury is subsidising the scheme.

Group 4: institutes of technology – Ireland.

In this case, the funding for pension payment is not a liability for the institutions at all, but is met through a different source. This is the case for institutes of technology, where the funding is provided through the local Government pension scheme.

Implications for benchmarking Irish and English HE

Differences in the treatment of pensions complicates the benchmarking process. In general it seems fair to comment that any given funding for Irish HE is understated vis-à-vis England, as the pensions' costs of the institutes of technology (and to a lesser extent UL and DCU) are not being met by that funding. It is very difficult to precisely estimate the impact of this effect, but one rough estimate suggests it could be roughly 15%.