

Royal Irish Academy Advice Paper on the Sustainability of the Northern Ireland Higher Education Sector

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Key Points

- The Northern Ireland higher education sector is experiencing a period of very significant underfunding which threatens the planned economic development of Northern Ireland as envisaged in the 2015 Stormont Agreement 'A Fresh Start'.
- Northern Ireland (NI) is especially dependent on the economic and social benefits of a strong higher education and research system, particularly as the NI Executive attempts to transform the economy to develop a knowledge-based industrial sector and to encourage foreign direct investment (FDI) through a planned reduction in the corporation tax rate.
- The recent cuts to the higher education sector will undermine efforts to stimulate FDI by reducing the numbers of necessary skilled graduates and the quality of the education they receive.
- The recent higher education cuts will have a direct impact on the quality and reputation of Northern Ireland universities; contribute to an ongoing 'brain drain' to other parts of the United Kingdom and an undersupply of skilled graduates in STEM, humanities and finance; and limit access to higher and further education.
- Options to redress these cuts include: (a) an increase in funding by the NI Executive to universities to ensure parity with institutions across the United Kingdom, (b) an increase in student fees to rates comparable with England and Wales, supported by an income-contingent student loan scheme, and (c) a hybrid of (a) and (b).

I. Introduction

The Royal Irish Academy/Acadamh Ríoga na hÉireann ('the Academy'), Ireland's leading body of experts in the sciences, humanities and social sciences, welcomes the opportunity to contribute to 'The Big Conversation', launched in September 2015 by Dr Stephen Farry, Minister for Employment and Learning in Northern Ireland on the 'sustainability and the future of the Northern Ireland higher education sector'¹ (1). The Northern Ireland higher education (HE)² system is experiencing a period of unprecedented underfunding relative to that pertaining in other parts of the United Kingdom. This funding shortfall threatens the planned economic development of Northern Ireland as envisaged in the 2015 Stormont Agreement 'A Fresh Start' (2).

The background to this situation was the decision by the United Kingdom (UK) Government in 2011 to raise the upper threshold for tuition fees for full-time undergraduates studying at English universities to £9,000 per year from 2012/13. This funding model was also adopted in Wales. The Scottish Government decided to abolish fees for Scottish domiciled students. This policy included increased direct funding for Scottish higher education institutions such as to maintain parity with England coupled with a cap on local student numbers. At that time the NI Executive decided to freeze tuition fees at £3,465 for local students studying in Northern Ireland, subject only to inflationary uplifts, and that commitment was written into the 'Programme for Government'. While the NI Executive initially made good the deficit between the Northern Ireland and England tuition fee rates, the disparity between the two funding regimes has grown as the level of public funding made available for higher education has decreased year-on-year due to overall pressures on public expenditure in Northern Ireland. In 2014/15 the equivalent funding gap between Northern Ireland universities and their English counterparts was over £39 million, or between £1,000 and £2,500 per student depending upon subject area. The rate of disinvestment intensified in the current year (2015/16) with further cuts of over £16 million (1). No further cuts are currently projected for 2016/17.

The most recent cuts have forced major reductions in student places and staff posts at the two Northern Ireland universities. Queen's University Belfast (QUB) and Ulster University (UU) enrolled over 500 fewer local students in 2015/16, and this will rise to above 2,200 over the next few years. Over 350 staff posts will be lost during 2016. The cuts will see significant loss of course provision in a number of areas as well as reductions in places and subject choice across a range of disciplines. This will force an increased number of potential university students to either leave Northern Ireland for their studies or forgo higher education.

The purpose of this Advice Paper then is to highlight some of the key issues arising from this ongoing crisis in the funding of the Northern Ireland higher education sector, and to suggest a number of potential remedies for further discussion and consideration.

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²The Northern Ireland higher education sector is made up of three universities and two university colleges: Queen's University Belfast, Ulster University, The Open University, St Mary's University College and Stranmillis University College. In addition, there are six regional further education colleges which provide higher education courses primarily at sub-degree levels 4–5.

2. Background

It is generally accepted that a well-developed higher education and research system is an essential component and driver of knowledge-based economic prosperity. Higher education produces highly skilled graduates and engages in research and knowledge transfer necessary to support the evolving needs of business and industry. It also produces those with the skills and knowledge required by the various professions. Equally importantly, higher education produces graduates in the humanities and social sciences with attributes suitable for a wide range of occupations and careers requiring advanced critical thinking, creativity and communication.

Within the UK (which is the context in which the Northern Ireland HE system is operating), higher education and research is an essential factor in attracting inward investment, and is a major contributor to export income through the recruitment of overseas students and international partnerships, with HE exports projected to grow from £8 billion in 2009 to £17 billion by 2025. HE is now a bigger industry in the UK than aircraft manufacturing, agriculture or pharmaceuticals, with universities generating £59 billion in output in 2009, leading to the creation of 670,000 jobs. At a regional level, universities are also engines of growth by supporting the rebalancing of the economy, by creating local jobs, by encouraging local innovation and by attracting investment and talent (3–6).

Similarly, economic development policy in the Republic of Ireland (RoI) has been linked by successive governments to growth in higher education (7). The numbers participating in HE have grown from 21,000 in 1965 to 190,000 in 2015. This rapid increase in HE participation has led to the Irish labour force becoming one of the most skilled in the OECD. The availability of well-educated graduates has become a cornerstone of Ireland's FDI strategy, which has attracted inward investment from the US alone of nearly \$300 billion since 1990 (7).

Northern Ireland is even more dependent upon the economic and social benefits of higher education as it attempts to transform its economy to develop a knowledge-based industrial sector and to encourage FDI (8). Both QUB and UU are major economic enterprises in themselves, with their combined activities generating over £1.5 billion of output and £845 million, or 2.6% of Northern Ireland's Gross Added Value (GVA), in 2013 (9). The importance of attracting FDI is highlighted in the 2015 Stormont Agreement 'A Fresh Start', which includes a commitment to reduce corporation tax rates to 12.5% from April 2018. A recent background analysis by the UK Treasury identified the main benefit of a reduced corporation tax rate as being additional investment into Northern Ireland by new foreign-owned firms and existing firms. This analysis estimates that FDI will grow by over £300m per annum within 10 years of a reduction of the corporation tax rate, which will lead to increased economic growth and a stronger private sector. This will make a major contribution to a rebalancing of the Northern Irish economy (10). The Northern Ireland Economic Reform Group has also estimated that a reduction in the rate of corporation tax to 12.5% could lead to the creation of 90,000 new jobs over a 20 year period (11). It seems counterproductive, therefore, to be establishing a tax regime to stimulate FDI while simultaneously undermining this effort by cutting funding to the universities, with a resultant reduction in student places and quality. This will be discussed in more detail in the section below.

3. The consequences of continued underfunding of HE in Northern Ireland

Notwithstanding the limitations on public expenditure in Northern Ireland, there has been an understandable political wish to maintain a low tuition fees regime. However, the current funding model is unsustainable. There is no magic formula that will allow Northern Ireland to simultaneously offer a relatively low-fee, high-quality university system with low government support. The consequences of failing to address the problem are fourfold.

a. Quality and reputation

The Northern Ireland universities have a commendable track record in offering higher education at a standard competitive with their counterparts in Britain and internationally. This has been confirmed by successive audits at subject and institutional level by the Quality Assurance Agency (QAA) and by various professional bodies and statutory agencies. It is also reflected in the universities' performance in various national and international rankings, which tend to place them within the middle quartiles of UK institutions. Actual and perceived institutional quality is an increasing factor in determining students' choice of university and subject area. This is particularly true of overseas students. It is also an important selection criterion for employers and inward investment companies. It is inconceivable that Northern Ireland's universities will be able to maintain quality standards and reputation comparable to their counterparts and competitors in Britain and elsewhere while being funded at substantially lower levels per student.

b. 'Brain drain' and cap on HE expansion

Northern Ireland produces more young people going to university than any other part of the UK (49.5%, compared to 47% for the UK overall). A large proportion (31%) of Northern Ireland's students currently attend university in Britain. There has been an 8% rise in this figure in the ten years ending 2011/12, and it seems likely to increase due to the limitation on student places locally and expanding opportunities in England and Wales (12,13). Under the current funding model in Northern Ireland, and as a result of limitations on public expenditure, there is a formal Maximum Student Numbers Cap (MaSN Cap) operating within the local universities. As further cuts impact from 2015/16, and in order to protect quality standards, the universities have had to reduce projected numbers by some 2,200 below the previous MaSN cap.

Contrastingly, as a result of the introduction of increased tuition fees in England, the UK Government has been able to abolish student number controls there from 2015/16. There were practical, economic and political reasons behind this decision (14):

- the expectation that demand for higher education will remain strong;
- more higher-level skills will raise economic performance;
- educational opportunities and meeting people's aspirations are likely to be popular politically; and
- a market in higher education would be created where none existed previously.

It is particularly noteworthy for future economic planning that Northern Ireland has the highest retention of graduates of any UK country, while two-thirds of Northern Ireland people who study at university in Britain live and work there after graduation (13).

A funding model which forces Northern Irish students to study elsewhere, thereby losing most of them and their high-level skills to other UK regions competing directly with Northern Ireland for FDI, hardly accords with the objective of developing a growing and rebalanced economy.

c. Skills shortage

The NI Skills Barometer published in 2015, which was based on the NI Executive's plan for a growing and rebalanced economy, identified a significant undersupply of some 1,600 individuals per annum with degree-level skills in STEM subjects, some humanities subjects and finance (15). It also predicts an acute shortage in sub-degree-level skills – the largest supply gaps are likely to emerge in the mid-tier skills levels, i.e. National Qualifications Framework (NQF) Level 3 (A-Level equivalent) and NQF Levels 4–5 (Foundation Degree/Higher National Certificate/Higher National Diploma equivalent). Concurrently there will be an oversupply of individuals at lower skills levels – the demand for formal qualifications across all areas of the economy will increasingly impact negatively on the employment prospects of people with low or no skills. Maximising the potential of young people and the wider population through the effective development of skills is a fundamental building block of a successful economy. The NI Skills Barometer, through its identification of both the current and future skills needs of employers and the level of skills supplied through education institutions, has provided a valuable information service which should inform Government policy decisions.

d. Access

Northern Ireland has an enviable record in widening participation to higher education. Northern Ireland's HE institutions outperform HE institutions in the rest of the UK in terms of the proportion of students accepted from lower socio-economic (SEC) groups. In 2013/14, 38.5% of Northern Ireland domiciled university entrants were from the four lowest socio-economic classes (4–7), as compared to 33.0% for the UK as a whole (16). However, when SEC group 4 (small employers and self-employed) is excluded from the 'lower SEC' definition, the percentage of Northern Ireland students coming from lower SEC groups drops quite substantially to about 25%. (The 2011 Census indicates that SEC groups 5–7 make up 35% of the general population.) The Department for Employment and Learning (DEL) has over a number of years implemented a range of specific funding mechanisms to support widening participation in higher education. These have included premium funding paid to the universities and project funding for specific pre-recruitment outreach activities. In recognition of the universities' continuing commitment to supporting widening participation and access, DEL now incorporates the funding associated with these activities into general university funding.

The reduction in student numbers as a result of cuts in HE funding in Northern Ireland, taken together with the pre-existing limitations imposed by the MaSN cap, is likely to impact negatively on widening participation. As has been demonstrated elsewhere, social participation in HE only widens sustainably when HE places are allowed to grow (17). The increased competition for places in Northern Ireland will inevitably raise entry qualification tariffs in the local universities.

A-level and other pre-university entry qualification grades are correlated with socio-economic status (18), so, in the absence of further affirmative action measures, those from the lower social groups may be forced disproportionately to leave Northern Ireland to obtain HE or to bypass the opportunity for higher education. This would also have the effect of making the local NI universities less heterogeneous in their student populations. Northern Ireland universities currently attract 5% of their student population from Britain and 4.9% from the RoI and other European Union (EU) countries. Their intake of non-EU students is 5%, substantially less than that of Scottish universities (13%) and English and Welsh universities (each 14%) (12).

4. Other issues

This short report has focused exclusively on the issues raised in Minister Stephen Farry's 'Big Conversation', namely the underfunding of Northern Ireland's universities and its consequences for the future economic development of Northern Ireland. There are other issues which are worthy of further consideration. These include:

a. The spatial distribution of higher education within Northern Ireland.

The current model of provision involves over 80% of degree-level higher education students being based within the greater Belfast area. As part of the plan to grow and rebalance Northern Ireland's economy, there may be social, economic and political arguments for distributing HE student places more widely, particularly towards the North West.

b. HE provision within the further education (FE) sector. Approximately 20% of all HE students in Northern Ireland are currently based within the FE sector, studying programmes approved by the universities. This provision is provided at lower cost but acceptable quality standards endorsed by the UK's HE quality watchdog, the QAA. Is there scope for transferring more HE provision into the FE sector, particularly in subject areas where the universities have a low research base?

c. Part-time and postgraduate provision. Part-time enrolments in HE in Northern Ireland fell by over 9% over the 5-year period up to 2014/15. During the same period full-time postgraduate enrolments fell by over 15%. While most of the discussion and debate has focused inevitably on full-time undergraduate provision, attention needs to be given to developing an appropriate funding support model for these modes of study, each of which is also of crucial importance in supporting the local skills base as well as social and cultural development and cohesion. The announcement in March 2016 of the introduction of non-means-tested tuition fee loans for part-time undergraduate and taught postgraduate students from Northern Ireland was a positive development in this regard.

d. North-South collaboration. The Northern Ireland universities engage in significant collaborative activity in research with their RoI counterparts. This is funded largely through various EU programmes and joint initiatives between Northern Ireland Government departments and their RoI counterparts. There is much less collaborative activity in HE course provision. Are there opportunities for greater North-South HE collaboration, particularly in border regions and in strategically important or minority subject areas?

e. Support for HE within the new NI Department for the Economy.

Following the forthcoming elections to the NI Assembly, responsibility for HE and FE is scheduled to be transferred to a new ‘Department for the Economy’. This reflects recognition of the essential contribution of HE and FE to future economic development. It will be important to ensure that within this new departmental locus, the broader objects of higher education will be recognised and protected, in particular the benefits of the humanities and social sciences and their contribution to the values and cultural and social fabric of society.

5. Future funding options

The current funding model seriously underfunds Northern Ireland’s universities, with resultant negative consequences for quality and reputation, student places, skills requirements and widening participation. It is directly contradictory to the NI Executive’s commitment to grow and rebalance the economy and the skills base required to fulfil that aim. The Northern Ireland higher education sector should be structured and funded such that:

- the local universities and their graduates are nationally (within the overall context of the UK) and internationally competitive through an adequate and comparable funding regime;
- the cap on student numbers is lifted such as to ensure that the projected skills requirements of a growing and balanced economy are met;
- well-qualified Northern Ireland school leavers are not forced to leave Northern Ireland due to limitations on student places at home; and
- support for and commitment to widening access should be maintained and, if possible, enhanced to support potential HE entrants from lower socio-economic groups.

The options available to solve the current anomalous situation are relatively straightforward and have already been costed and explored in the recent ‘Big Conversation’ document: *Securing a Sustainable Solution for Higher Education in Northern Ireland: An Options Paper* (19). They also correspond to solutions proposed by the Academy to a similar HE funding crisis being experienced within the RoI (20). The options are as follows:

a. The level of government (NI Executive) funding to the Northern Ireland universities be increased to bring parity with institutions in England and Wales.

This is likely to be, at minimum, of the order of £55 million per year from 2017/18 onwards (19). This would also need to include a commitment to match further year-on-year funding adjustments across the United Kingdom. The potential disadvantage of this model is that it is limited by public spending constraints, as the additional expenditure would have to be found at the expense of other departmental budgets. Even if parity with England and Wales were achieved through increased funding from the NI Executive, without further substantial public expenditure the current ‘brain drain’ to Britain would not be addressed and there would be no scope for further expansion of HE in Northern Ireland.

b. Student fees to be increased to the level of those in England and Wales, supported by income-contingent loans repayable after graduate income reaches an earnings threshold.

This would involve directly copying the English and Welsh funding model and thus allowing the MaSN cap to be abolished and student numbers to rise locally, reducing the brain drain and permitting further university expansion. It would also reduce the strain on NI Executive funds and could allow for living allowance support for students from lower socio-economic backgrounds. Notwithstanding the greater scope for progressive support under such a funding regime, the trebling of tuition fees would be politically challenging.

c. A hybrid of options 1 and 2

This would involve a substantial raising of tuition fees to somewhere between the current Northern Ireland and English and Welsh levels. It would share the burden more equitably between the beneficiaries of higher education, namely the graduates, and society overall. There would need to be a commitment to continue to adjust tuition fees and NI Executive funding in parallel with any future funding changes in England and Wales.

Each of the options above involves political and fiscal challenges. However, a failure to address the current HE funding situation will lead inevitably to a decline in the quality and reputation of Northern Ireland's universities and their graduates, shortages of skills to support a rebalancing economy, further loss of local HE student places and an associated increased 'brain drain', and reductions in access to HE for socio-economically disadvantaged communities.

Conclusion

As Northern Ireland embarks upon the next phase of its development, including the planned rebalancing of its economy through a growing and knowledge-based private sector fuelled by indigenous enterprises and FDI, the supply of skilled human capital provided through its higher education sector will be crucial. The current HE funding model, which results in Northern Ireland's universities being significantly underfunded relative to their counterparts and competitors in Britain, undermines and threatens the implementation of this central pillar of Northern Ireland economic strategy. Not only will it reduce the quality of local graduate output, it will result in a significant undersupply of graduates in areas projected to grow substantially in future years. It will also exacerbate the current 'brain drain' from Northern Ireland, will limit the opportunity for expansion in student places, and will reduce access to HE from socio-economically disadvantaged groups.

All of the options to deal with the HE funding crisis will involve difficult political choices, rendered more so by limitations on public spending. They include: (a) an increase in funding by the NI Executive to universities to ensure parity with institutions across the United Kingdom, (b) an increase in student fees to rates comparable with England and Wales, underpinned by the introduction of an income-contingent student loan scheme, and (c) a hybrid of (a) and (b). The development of an appropriate and sustainable HE funding model is an essential condition for a prosperous and inclusive Northern Ireland. It should be a high priority for the incoming NI Executive and Assembly after the May 2016 elections.

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