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Irish Education and the Financial Crisis

Deirdre Lillis and W. John Morgan

Regardless of economic fortunes, investment in education remains a constant in terms of its perceived value to Ireland and it is seen as critical to the economic recovery of the country. Ireland has one of the highest educational participation rates in the world, is considered to have the 'most employable' graduates in Europe and produces more graduates per 1000 inhabitants than any other European country. The degree to which the financial crisis has impacted Irish education is explored here.

Background

Under sustained and increasing pressure in the international bond markets, the government of the Republic of Ireland agreed to accept an €85 billion aid package from the European Union and International Monetary Fund in November 2010. Approximately €50 billion was required to bridge the gap in public finances over a four year period to 2015. The remainder was intended to stabilise the crippled Irish banking system. The EU/IMF package came after three years of austerity measures in four successive national budgets and the terms of the EU/IMF aid package broadly endorsed the measures set out in the national plan for recovery[1]. These included increased taxation, reform of the public service, reform of social welfare provision and revised national employment agreements. The second component of the EU/IMF aid package required a fundamental downsizing and reorganisation of the Irish banking sector, to ensure that it would become proportionate to the size of the economy, building on measures that had already been undertaken in the previous three years.

Although the aid package and its terms were approved by the Irish Parliament (*Dail Eireann*) it was one of the final acts of what was, by then, a deeply unpopular coalition government (*Fianna Fail* and the Green Party). A new coalition government (*Fine Gael* and the Labour Party) was elected and took office in March 2011[2]. It is arguable that when

[1] All of the government reports and national budgets referred to in this paper can be downloaded from the Government of Ireland – Department of Finance website (http://www.finance.gov.ie/), unless otherwise indicated.

[2] Politics in the Republic of Ireland is somewhat unusual as its evolution has historical roots and cannot be readily characterized as left or right wing. The main political parties can be

published the agreed Programme for Government of the incoming government showed little substantive deviation from the terms of the EU/IMF deal.

Ireland has met or exceeded the targets set in by the EU/IMF in its first four quarterly reviews (IMF 2011). At the time of writing, the country is approaching its fifth national budget which will impose further austerity measures, with at least three further austerity budgets planned. Unlike Greece, it has seen very little social unrest thus far. Unemployment rates remain high and the path from nearly full employment in 2007 to some 14% unemployed 2 years later has been dramatic, due largely to the collapse in the construction sector and the exposure of an open economy to worldwide events. Emigration of Irish nationals has doubled since 2009 to over 40,000 in 2011 (CSO 2011). The electorate registered a resounding protest vote in the February 2011 general election, but replaced a predominantly Centre coalition government with another predominantly Centre coalition government, whose policies could be considered very similar by international standards.

The Irish Education System

Access to education is considered a fundamental right under the Irish constitution and Ireland has a long history in educational provision which predates the foundation of the State in 1922. The system comprises four areas: Primary Education (8 years from the age of 4 or 5), Secondary Education (5 to 6 years from the age of 12 or 13), Further education and Higher Education. The Department of Education and Skills manages all aspects of Irish education policy at primary and second level including national curricula and examinations. It manages the further education and higher education sectors through a number of state agencies which have a legislative foundation (e.g. The Higher Education Authority and various quality assurance agencies). Attendance at primary and second level is compulsory until fifteen years of age and is free in the vast majority of schools. A large further education sector exists and more recently a formal Early Childhood Education sector has been developing. By international standards, Ireland's third level sector could be loosely considered a binary system, in that the majority of provision exists in a traditional university sector and a more applied and career-focused Institute of Technology sector. However, the increasing diversity of institutions has meant that the traditional binary divide has become significantly blurred. In recent years considerably more emphasis has been placed on adult

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considered Centre, Centre-Left or Centre-Right.

education, where Ireland's participation rates are generally lower than EU and OECD averages. There is also a developing trend whereby private colleges in the higher education sector are accessing public funds for targeted education initiatives.

Ireland has one of the highest educational participation rates in the world, with over 81% of Irish students completing second-level education and over 60% entering higher education (OECD 2010). Research published by Eurofin in 2009 noted that Irish expenditure on higher education was slightly less than the EU average, that Irish graduates were considered some of the most 'highly employable' in Europe and that Ireland produced more graduates per 1000 inhabitants than any other European country (Aubyn et al. 2009). At the time of writing, all seven Irish universities and the Dublin Institute of Technology are in the top 3% in world university rankings however two universities lost their place in the top 100 in 2011, evidence perhaps that budgetary cutbacks are having an impact (TimesHigherEducation 2011). Free tuition fees at undergraduate third-level have been in place since the late eighties and have survived the first four austerity budgets. The Student Contribution fee however has increased threefold from €1,000 in 2006 to a projected €3,000 in September 2012 however. Fees at third level is a particularly emotive issue for the Irish public and could be considered one of the litmus tests for austerity budgets in education.

The Implications of the Financial Crisis for Irish Education Prior to the EU/IMF Aid PAckage

In response to the financial crisis, five successive national budgets in Ireland implemented a range of austerity measures, beginning in 2009. An emergency supplementary budget was published in April 2009, followed by national budgets for 2010, 2011 and 2012. At the time of writing, a framework for a further four years of austerity measurs has been published from 2012 to 2015. Measures which have affected all Irish workers to date include the introduction of an additional income levy (up to 6% of income) and the doubling of the health levy (up to 5% of income). Both were introduced in the 2009 budget and were combined into one 'Universal Social Charge' in 2010. Additional taxation income was raised through reductions in tax bands in 2009, an increase in the social insurance rate and an increase in the rate of VAT.

The education sector accounts for nearly 20% of all public expenditure, surpassed only by spending on social welfare and on health. As the bulk of Irish education is state-funded at all levels, any public sector budgetary measures have a direct effect on Irish

education. It is important to note that, based on 2011 census figures, there is currently population growth in Ireland (1.6% per annum) and it is estimated that primary and secondary level enrolments will grow by 70,000 to 2018, with growth in second level projected to continue to 2024. While growth is also expected at third level, there are some suggestions that a cap on the number of places available will be introduced for the first time.

The policy of transforming the Irish public sector has remained constant not withstanding the change of government in February 2011. Ireland has a relatively strong trade union movement and several social partnership agreements had been established during the previous ten years. The Government negotiated an agreement with the main public sector unions in June 2010, known locally as the 'Croke Park Agreement', in which it gave a commitment to (i) no further pay cuts and (ii) no compulsary redundancies, if specified reforms and flexibilities in work practices were implemented.

Reductions in the Education sector pay bill

Staffing costs account for nearly one third of all public spending and account for a very high proportion of spending in the education sector. Reducing this pay cost has been achieved through a number of measures. Reductions in the numbers employed in the public sector were implemented firstly through a complete moratorium on recruitment and promotion, followed by an Employment Control Framework (ECF) which allowed for some flexibility to fill key posts in front line services. This has been in place since March 2009 and its effects are being felt with some 18,000 jobs lost in the public sector as a whole (representing 5% of total numbers) with a target reduction of 25,000 by 2014. Special provisions have been made within the ECF for the education sector and projections show that numbers employed will increase marginally by 2014, from 93,300 to 95,750, the only sector not to suffer a significant cut in numbers, but this is linked to increased demand from demographics. Other measures include a pay cut on all public sector salaries of between 5% and 8%, a 10% reduction in pay levels for new entrants to the public sector and an incentivised early retirement scheme for staff aged 50 or over.

Changes in Terms and Conditions of public sector/education sector employees

- The Public Sector Agreement ('Croke Park Agreement') provides for greater flexibility to redeploy staff to areas in demand, within and across sectors, including re-skilling programmes if required. The redeployment of surplus teachers between secondary schools within geographical regions has been widespread in 2010.

- Productivity measures which have been introduced in September 2011 include an increase of 12.5% in teaching hours for Institute of Technology lecturers in the third level sector and an additonal 33 hours per annum for second level teachers.
- The Public Sector Agreement calls for a standardisation of terms and conditions of employment across the public sector. A review of contracts of third level lecturers in the Institute of Technology sector has been signalled for 2011/12.

Reform of public sector pensions

- A pension levy of on average 7.5% was introduced in 2009 for public sector workers
- Pension entitlements for new entrants to the public sector have been reformed. In future they will be based on career average earnings with the retirement age increased to 66.

Other measures which have education sector

A number of other budgetary measures introduced over the past three years have specifically affected the Education sector.

- A significant portion of the capital spending programme in the education sector to 2015 has been earmarked for the schools building programme, to the detriment of capital expenditure on third level which has been dramatically cut back.
- There has generally been a continuation of the amount of government support for Research and Development funding, however its allocation is being concentrated through a National Research Prioritisation exercise.
- A rationalisation of state agencies in the higher education sector is underway with the quality assurance agencies for the universities, institutes of technology and further education sectors being combined into one overarching agency ("Quality Assurance Ireland").
- There has been increased investment in Labour Market Activation initiatives in education, training and work experience schemes (+40,000 places on these schemes) to help combat unemployment and emigration.
- In a move with implications for the further education sector, in July 2011 the national training agency (FAS) is being disbanded and a new state agency (SOLAS) will replace it.
- The number of 'Special Needs Assistants' for pupils in primary and secondary schools has been cut by 300.
- The third level sector will see a total culmulative reduction in pay and non-pay budgets of

6% by 2015. Student maintenance grants for third level will decrease and eligibility will be more stringent. By 2012, the contribution by students to third level (capitation fee) will have increased by 44% over the past five years tp €2250.

Future directions

While the savings made in public expenditure to date have been cumulative, many more austerity measures are required to meet the terms of the EU/IMF aid programme to reduce the budget deficit from a projected 10.3% of GDP in 2011 to less than 3% in 2015. While there have been some public demonstrations it is perhaps remarkable that more widespread protests and disruption has not been evident so far. On a macro-level, it can be said that there has been general acceptance by the Irish people up until now of the necessity for continuing austerity. The perception of more favourable terms of the recent second bailout for Greece however and the uncertainty arising from the eurozone crisis will present significant challenges in the coming year. Should the EU/IMF programme be implemented in full, Ireland will have undergone seven years of austerity by 2015.

Funding for increased enrolments in primary and second level appears to have been factored into medium term plans for both capital investment and staffing. It is likely that while the third level sector will see its overall funding maintained, more of this public funding will be 'top-sliced' for targetted initiatives and public institutions will have to compete with the private sector to win these tenders. Like their international counterparts public higher education institutions will have to generate greater percentages of their income from private sources. While few cutbacks are welcomed, it is arguable that until now, the education sector has been protected in so far as possible, but perhaps the 'easier' cutbacks have been made and that future measures will have deeper and more systemic impact. A constant however is that education is generally seen as being critical to Ireland's economic recovery, both for assisting indigenous enterprises to compete with innovative products and services in global markets and for attracting foreign direct investment from large multinationals.

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