

Oireachtas Budgetary Oversight Committee, 17 September 2019

INVESTING IN IRELAND'S FUTURE TALENT AND INNOVATION

Universities are Catalysts of Economic Growth

Ireland's economic success is increasingly linked to our capacity to compete globally in a fiercely competitive knowledge economy. As a small open economy within the EU, we have succeeded in attracting a disproportionate level of inward investment from the global leaders in technology, pharma and medical devices. Our successes in FDI, combined with the development of a thriving indigenous SME sector, has enabled us to recover from recession and emerge as one of the fastest growing economies within the EU, all within a single decade.

It is well recognised by all that our pool of high-quality talent and our capacity for innovation at a globally competitive level in a range of industries is central to that achievement. Universities and the other third level institutions are the engine rooms for the production of that talent and for cutting-edge research and innovation.

The Minister of State for Higher Education has described our emerging talent as "Ireland's oil reserve". How right she is. However, the value of those oil reserves of talent cannot be tapped unless we invest in harnessing and developing that talent that will, in turn, fuel the future economic success of the nation. That is why investing in our universities must be a national priority.

Delivering for Ireland – The Impact of Irish Universities

In April this year, Indecon Economic Consultants published a major study on the Impact of Irish Universities. This Impact Study, the first of its kind in Ireland, provides a detailed measurement of the contribution of the seven universities represented by the IUA to the Irish economy and to the country generally.

The key findings of the Indecon Report include:

- ✓ The universities collectively contribute €9 billion annually to the economy;
- ✓ They support 22,000 jobs including 16,000 directly employed and are economic powerhouses in the local economies where they are located;
- ✓ They cater for over 120,000 students, up 50% since the turn of the century;
- ✓ They generate €386 million a year in export earnings from international students;
- ✓ Their Research & Innovation activities generate €1.5 billion impact annually;

Crucially, Indecon have shown that there is an estimated net gain to the Exchequer of €1.6 billion per year arising from the increased earnings and tax take from higher-earning university graduates. The total annual State investment in universities is currently of the order of €1 billion so there is a clear cash return to the State.

In summary, universities not only deliver on their 'public good' mission by producing top talent and driving the innovation infrastructure, but also deliver a cash return for the State. Investment in universities is an investment in our future economic success.

Priorities for Budget 2020

Over the last decade, State funding per student in the third-level sector has been dramatically cut. The core grant from the Higher Education Authority to third-level institutions has dropped from almost €9,000 per student in 2008/09 to just over €5,000 per student now, a decline of 43%. That €4,000 gap has been made up in two ways; half by an increase in the student registration fee and half by cost-cutting at universities and by generating new sources of income.

In spite of welcome but modest funding increases over the last two Budgets, the State funding per student, *the* critical measure, has hardly moved as the increases are largely mopped up by a growth in student numbers across the sector. That bulge in student numbers will continue to grow over the next decade with an estimated 40,000 extra students to be catered for by 2030 as compared with 2015.

In that scenario, the funding problem will get considerably worse unless there's a significant step-up in investment to support our growing student base. There is now unanimous support for a comprehensive programme of investment amongst employer leaders, unions and students themselves with Ibec, Chambers of Commerce leaders, USI and ICTU all in support.

The Irish Universities Association is calling for a three-part response from government to the urgent investment needs of the third-level sector.

CORE FUNDING

An additional €117m for core operational funding of third-level is required including:

- €40m 'new money' to improve quality and enhance services following the serious decline in funding per student over the last decade;
- At least €27m to cover the known increased intake of students;
- €50m to offset known cost increases for existing staff under national pay rounds.

RESEARCH & INNOVATION

Ireland must invest more in research if we are to compete in the global knowledge economy. We need:

- At least €50m extra for frontier research activity by our top scientists, many of whom receive no national funding;
- A proper funding structure for researcher stipends to enable us to attract top talent from abroad.

CAPITAL FUNDING

We need the best facilities if we are to produce the top talent that can meet the challenges of Brexit and other global economic pressures.

- €100m is needed for 'new build, to cater for growing student numbers;
- €110m is urgently required in year 1 of a 7-year Capital Investment Recovery Programme to upgrade many of our decades-old facilities

We have set out our proposals in detail in the attached Budget 2020 Submission, '*Investing in Ireland's Future Talent and Innovation*'. We would welcome the support of the Budget Oversight Committee for these proposals.

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