

**Consultation on Draft 2015-16 Budget
Northern Ireland Executive
Submission by the Russell Group**

1. SUMMARY

- 1.1 Our research-intensive, world-class universities play an important part in the intellectual life of the UK and have huge social, economic and cultural impacts locally, across the UK and around the globe. They are at the heart of the knowledge economy, leading with new ideas and pioneering research, providing the highest quality education and student experience and working in close partnership with business, charities and the public sector. But none of this can be done without appropriate financial support.
- 1.2 Cuts to university funding in Northern Ireland could have a disastrous effect on the country's economic development, constraining vital research and knowledge transfer, and also impacting on the service economy that grows around dynamic student populations and leading research centres.
- 1.3 Universities make direct contributions to the well-being of citizens across the UK and in their local communities. Northern Ireland's universities have made immeasurable positive contributions to life in Northern Ireland, but the ongoing positive social and cultural benefits will be lost with further cuts to higher education budgets.
- 1.4 Other countries are increasing investment in their leading universities as a strategy to leverage international investment and to create long-term leadership in key areas of economic development. Cutting university funding now may cause irreparable damage to Northern Ireland's international competitive position and to future inward investment.
- 1.5 One of Northern Ireland's greatest resources is its educated workforce, the future of which is intimately linked to the quality of higher education in the country. Cuts which threaten the quality of the student experience and student numbers will hurt Northern Ireland's competitive position and compromise opportunities for Northern Ireland's youth.
- 1.6 In the discussions over Northern Ireland's budget it is important to recognise the value of investing for the future. World-class universities are national assets, they are anchors for growth and jobs as well as being central to society and culture – investing in them should remain a high priority.

2. THE RUSSELL GROUP

- 2.1 The purpose of The Russell Group is to provide strategic direction, policy development and communications for 24 major research-intensive universities in the UK; we aim to ensure that policy development in a wide range of issues relating to higher education is underpinned by a robust evidence base and a commitment to civic responsibility, improving life chances, raising aspirations and contributing to economic prosperity and innovation. Queen's University Belfast is a valued member of the Russell Group.

- 2.2 Russell Group universities play an important part in the intellectual life of the UK and have a positive impact on the social, economic and cultural well-being of their regions. Our aim is to ensure that our universities have the optimum conditions in which to flourish and continue to make a positive impact through their world-leading research and teaching.
- 2.3 Please find more information on the Russell Group at our website www.russellgroup.ac.uk.

3. INTRODUCTION

- 3.1 We welcome the opportunity to contribute to the 2015-16 Budget consultation of the Northern Ireland Executive. We support a strong and innovative higher education sector which directly contributes to the economic productivity of Northern Ireland and the UK more broadly.
- 3.2 On 3 November 2014, Simon Hamilton, Northern Ireland Minister for Finance and Personnel, presented a draft budget and launched a budget consultation for Northern Ireland. The draft budget includes a 10.8% cut in resources to the Department of Employment and Learning (DELNI), the department responsible for the funding of higher education in Northern Ireland¹.
- 3.3 Over 70% of DELNI's budget is earmarked for higher and further education. Cuts to DELNI will therefore have an adverse effect on Northern Ireland's higher education institutions.
- 3.4 The adverse impact of DELNI cuts was reflected in comments made by the DELNI Minister, Dr. Stephen Farry, in response to questions on the impact of proposed cuts to his department:

...we are talking about several hundred job losses in the higher education sector. That is a serious state of play for the individuals concerned as well as the universities.

The cuts proposed for my Department will have a very significant and unavoidable impact on our higher education institutions, affecting their capacity to provide the high-level skills and qualifications necessary to grow our economy.²

- 3.5 The Russell Group is deeply concerned that the proposed budget will leave Northern Ireland's universities inadequately resourced to support vital economic development locally and to compete internationally.

¹ <http://www.northernireland.gov.uk/index/media-centre/news-departments/news-dfp/news-dfp-november-2014/news-dfp-031114-draft-budget-reflects.htm>

² <http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2014/12/01&docID=215896#6508>

4. KEY AREAS

A. Economic Impact

- 4.1 The structure of the UK economy is changing and knowledge intensive jobs are likely to outpace demand for lower skilled and mid-level jobs³. Higher education ensures a nation's workforce is ready to capitalise on the new economy.
- 4.2 Russell Group universities are a prominent UK and international industry in their own right:
- (a) They have a total economic output of over £32 billion per annum, which represents 44% of the total economic output for all UK universities.
 - (b) They support over 300,000 jobs UK-wide.
 - (c) They are a major UK export industry, generating overseas earnings of over £4 billion per annum.
- 4.3 This benefit is spread right across the UK and our universities are key contributors to their regional and local economies. For example, Queen's University Belfast currently employs just fewer than 3,700 staff, has a turnover of £300M annually and works closely with businesses to the benefit of the local economy and students.
- 4.4 Universities attract business and provide centres for innovation and economic development. Properly-resourced universities ensure businesses have skilled local graduates to employ.
- 4.5 Furthermore, universities act as hubs around which broad research communities and clusters thrive. The critical mass of top talent and infrastructure located in the UK's world-class universities enables our academics and researchers to attract and develop relationships with their international peers. Research collaborations between the UK's world-class universities and leading international researchers provide industry with timely access to global developments in research and technology.
- 4.6 Queen's University, Belfast is the UK's leading university for Knowledge Transfer Partnerships (KTP), with 31 partnerships ongoing across the University, more than any other UK institution. A KTP project between Queen's and Bullivant Taranto Ltd was named the UK's Best KTP at the 2013 national KTP Awards. The partnership aims to reduce energy costs and environmental impact in the manufacture of pre-cast concrete.
- 4.7 Universities also play a key role in attracting inward investment to their local regions. Globally-mobile multinational businesses choose to invest in centres of excellence, such as the UK's world-class universities, in order to make use of the critical mass of research and expertise they provide. Northern Ireland's openness to inward investment could be put at risk.
- 4.8 As Minister Farry states, funding higher education is an investment in people and the economy:

Northern Ireland's higher education providers play a vital role in meeting the skill needs of the local economy not only by providing a supply of highly skilled graduates but by reskilling and upskilling the existing workforce. The Northern

³<http://www.universitiesuk.ac.uk/highereducation/Documents/2013/SpendingRoundWideningParticipation.pdf>

Ireland skills strategy identifies... the need for upskilling the current workforce and achieving a higher proportion of individual workers with higher-level skills — in the region of 80% by 2020.⁴

- 4.9 The long-term economic health of Northern Ireland is closely tied to its continued investment in higher education. Northern Ireland risks losing gains it has made to achieve its skills targets if cuts in spending are imposed on universities.

B. Social benefit

- 4.10 Our universities produce considerable social value by educating skilled and informed graduates and producing research which leads to valuable scientific breakthroughs. The considerable economic and social impact of research conducted at Russell Group universities is outlined in two reports, which highlight how breakthroughs at our universities have led to better health care, cleaner and more efficient energy sources, and improvements to 'quality of life' as well as much wider social and cultural benefits.⁵
- 4.11 Research at Queen's has a significant impact on life in Northern Ireland, including contributing to tackling sectarian thinking in young children in Northern Ireland, has influenced renewable energy policy and practices and has had a positive impact on health through developing treatments and changing practices, amongst many other impacts⁶.
- 4.12 Russell Group universities play a key role in their local communities and take their civic responsibilities extremely seriously. Our universities interact closely with local residents and businesses. This includes opening the doors to university sports and cultural facilities and providing advice and facilities to local start-up companies all of which have an immediate, direct and positive impact on the local community.
- 4.13 Investment in higher education is a key strategy for improving the employment prospects of young people and those re-skilling for new careers. Russell Group universities, including Queen's University Belfast, significantly improve the employment prospects of their graduates: 93.2% of undergraduates from Russell Group universities are in work or are studying six months after they graduate, 93.8% of QUB students⁷.

C. Global competition

- 4.14 A 2014 international comparison of national higher education systems ranked the UK 2nd out of 50 countries for output (including research excellence and impact) while receiving much lower levels of investment than international competitors, ranking just 21st for resources (including spending on R&D, spending on HEIs and spending per

⁴<http://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2014/12/01&docID=215896#650834>

⁵ For more detail please see <http://russellgroup.org/SocialImpactOfResearch.pdf> and http://russellgroup.ac.uk/uploads/RG_ImpactOfResearch2.pdf.

⁶ Specific examples can be found in Queen's University Belfast The DNA of Innovation: Volume IV, Our global impact on society:

http://www.qub.ac.uk/home/ResearchandEnterprise/OurImpact/FileStore/Fileupload_473884_en.pdf

⁷ Employment data are published by HESA in the Performance Indicators for the academic year 2012/13 (graduates employed in January 2014). (Table E1a)

https://www.hesa.ac.uk/index.php?option=com_content&view=article&id=2071

student)⁸. This demonstrates the extremely high productivity of the UK's world-class universities and research base, but it is not sustainable over the long term.

- 4.15 However, other nations are investing more to overtake the UK. The USA has always enjoyed much higher levels of investment in higher education. Now emerging economies and European competitors are pumping billions into their leading universities and reaping benefits in performance.
- (a) In the US, a small number of research-intensive universities receive a large proportion of federal R&D funding in order to support excellent research. In 2011, federal R&D funding to universities totalled \$40 billion (£23.7 billion), and of the 896 universities in receipt of funding, 10 received approximately 20% of the total funding.
 - (b) In France, more than €7.7 billion (£6.3 billion) has already been allocated to the “Excellence Initiative” (IDEX) since 2010 to create eight campuses bringing together leading institutions to compete with the best universities in the world.
 - (c) China is rapidly increasing research funding for universities. In 2010, China invested £7.1 billion in university research, surpassing the UK. Public R&D investment is concentrated into a few large Chinese universities and focused in key disciplines in natural sciences and engineering. China has already overtaken the UK both in terms of total research publications and also research investment as a proportion of GDP and its universities have been steadily climbing up international league tables.
- 4.16 According to the OECD report *Education at a Glance* published in September 2014⁹, the UK's total investment in higher education is 1.2% of GDP: less than half that of the USA, and below the OECD average. UK public investment in higher education is 0.9% of GDP, below the OECD and European Union (EU) 21 averages; lower than Brazil, Russia and almost all European countries for which data was available. It is on a par with Israel and Mexico.
- 4.17 Northern Ireland's universities are already operating with less funding than elsewhere in the UK. University funding has been cut by 18 per cent, including 4 per cent in the current year. Consequently, Northern Ireland's universities operate with approximately £1,000 to £2,500 per student less than universities in England and Scotland according to analysis by the Department for Employment and Learning. This is compounded by a disparity in research funding, amounting to £15 more per capita in Scotland compared to Northern Ireland.
- 4.18 University competition for talent, both students and academics, is now global. Countries investing in higher education will make gains on those countries reducing resources for universities. The international position UK universities, including QUB, have achieved has paid huge dividends in terms of economic, social and other benefits.
- 4.19 However with other countries increasing investment in their leading universities, the UK is in danger of losing our competitive edge and with it the centres of innovation that have grown up around our world-class universities and the many economic, cultural and social benefits that flow from them. Our world-class universities, with their heavy concentration of brainpower, established excellence, and the sheer numbers and

⁸ <http://www.universitas21.com/article/projects/details/153/executive-summary-and-full-2014-report>

⁹ http://www.keepeek.com/Digital-Asset-Management/oecd/education/education-at-a-glance-2014_eag-2014-en#page2

facilities to achieve global impact, are best placed to attract further UK, EU and wider international investment. Cutting support to universities now will have long-term negative repercussions.

D. Research

- 4.20 The Northern Ireland Assembly's Committee on Enterprise, Trade and Investment found that increased research and development (R&D) and accessing European support funds (such as Horizon 2020) for translating R&D into commercial projects are vital to the local economy¹⁰. The committee noted lessons drawn from successes like the collaboration between Almac Ltd and Queen's University Belfast, supporting ongoing ground breaking pharmaceutical research on cancer treatment. Universities play a leadership role in these developments, working with government, large business and small and medium-sized enterprises (SMEs).
- 4.21 Public and private R&D expenditure in the UK is already low compared to international competitors and cuts to university funding will reduce Northern Ireland's capacity to leverage European and global support for R&D and private sector investment.
- 4.22 Russell Group universities do well attracting EU research funding but need national support to support infrastructure. QUB won nearly £8 million in research grants and contracts from the EU in 2012/13, which accounted for 13% of its total research grant income that year. However, in order to continue to win EU funding through Horizon 2020, the university needs sufficient national support to ensure it has adequately-funded infrastructure and equipment and can afford to employ high-quality researchers in order to attract leading European partners for collaborative projects.

E. Teaching and learning

- 4.23 Degree courses in subjects such as medicine, engineering, chemistry and physics are extremely important to the future success of the Northern Ireland's economy but require significant support. The teaching costs of these subjects are significantly higher than others because of the requirement for laboratories and equipment which can be very expensive.
- 4.24 It is important for Northern Ireland's future labour force and R&D productivity that these high cost subjects are appropriately resourced to protect quality and provide opportunities for education enhancement. The better prepared Northern Ireland's graduates, the greater likelihood businesses and investment will be attracted to Northern Ireland.
- 4.25 The Royal Academy of Engineering suggested that as many as 100,000 more graduates in science, technology, engineering and mathematics (STEM) subjects will be needed by 2020 as innovation and high-tech manufacturing in particular drive growth¹¹. Reduced investment in these areas will equate to missed opportunities for graduates and the economy.

¹⁰ <http://www.niassembly.gov.uk/Assembly-Business/Committees/Enterprise-Trade-and-Investment/Reports/Report-on-the-Committees-Inquiry-into-Developing-the-Northern-Ireland-Economy-through-Innovation-Research--Development/#2>

¹¹ Royal Academy of Engineering (2012). *Jobs and growth: the importance of engineering skills to the UK economy*, p29.

5. Conclusion

- 5.1 Research-intensive universities are the catalyst for economic development and national productivity. They create the capacity for business to build and grow. Universities educate graduates prepared to adapt to a changing economy and anchor R&D to attract ongoing investment.
- 5.2 The UK's leading universities, including QUB, demonstrate their high productivity time after time. Despite historically trailing competitor nations' investments made in higher education, Russell Group universities perform at the highest levels of impact and research.
- 5.3 The Executive of Northern Ireland's desire to diversify the Northern Irish economy and to compete for investment in the global marketplace is a reasonable and positive strategy for growth and prosperity.
- 5.4 However, continued erosion of financial support for universities will have a damaging effect on Northern Ireland's capacity to attract and hold investment and its ability to prepare its young people for a dynamic future in Northern Ireland.

December 2014