

The economic impact and potential of higher education institutions in the North West

A report to the Northwest Development
Agency

Executive Summary

April 2009

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1. The Northwest Development Agency (NWDA) commissioned SQW Consulting to undertake a study on *The economic impact and potential of higher education institutions in the North West*. The research was commissioned to inform the evidence base for the development of the North West's new integrated Regional Strategy from 2010. It was also envisaged that the higher education institutions (HEIs) in the region might find the report of use in the development of their own strategic plans for engagement at regional and sub-regional levels.

2. A major *deliverable* for the project, as specified in the NWDA's brief, was the development of:

a robust and replicable economic model which sets out the economic value of HEIs in the North West, in line with best practice methodology.

3. The NWDA also posed a number of key research questions which it asked the project team to address via:

an '... analytical narrative which will attempt to address regional and sub-regional questions emerging from both ... existing knowledge of HEI infrastructure in the region, and other parts of the Regional Strategy evidence base'.

Methodology

4. The methodology for the study incorporated qualitative and quantitative approaches to gather and review evidence on the economic value and impact of HEIs in the North West. Key elements of the approach included: a review of available data and relevant literature (both on economic impact and on contextual factors for the North West); the development of the approach to economic impact assessment; data requests to HEIs and analysis; semi-structured consultations with senior *representatives* of HEIs on the key research questions posed in the brief; and a focus group with representatives of HEIs and the North West Universities Association (NWUA) to test and validate emerging findings from the primary research.

The economic impact assessment

5. The study *assesses in a quantitative manner the value and impact of the HE sector in the North West of England on the regional economy of the North West.*

6. *The following* elements of HE and related output are included in the assessment, with every effort made to avoid double counting of impacts:

- *employment*: the spend of the HEIs on staff wages and salaries
 - strictly, employment of staff domiciled in the North West
- *procurement*: the spend of the HEIs on goods and services, plus their capital spend

- strictly, procurement from companies based in the North West or employing staff in the North West to deliver the work commissioned by the HEIs
 - *student spend*: the spend of students attending the North West's HEIs
 - specifically, their personal off-campus spend, as on-campus spend is likely to be captured by the impact of the HEIs' employment and purchasing
 - *students in the region's workforce*: the contribution of full-time students to the region's labour market whilst studying at North West HEIs
 - *graduates in the region's workforce*: the contribution of graduates from North West HEIs who take up employment in the North West
 - *business and community interactions*: the contributions made by North West HEIs through various forms of knowledge transfer, including through contributions to new firm formation
 - specifically, contributions to businesses, individuals and communities located in the North West.
7. The study adds a new dimension to the debate around the value of graduate earnings' premium. Previous work has focused on the private return to the individual as a basis for valuing a degree. This study considers value from the perspective of the employer and the economy to provide an indicative value of the contribution of HE qualifications to the region's GVA.

Headline findings from the economic impact assessment

8. Overall, the HEIs in the North West and their graduates contributed c. **£3.5bn** in GVA to *the regional economy in 2007*.
9. *The main* results from each strand of the contribution are briefly summarised below:
- the spend of HEIs in the North West, on employment, goods and services and capital projects generates output in the North West economy of c. £1.8bn p.a. and contributes c. £1.1bn p.a. GVA of
 - students also spend a significant amount within the economy, generating demand on and output from businesses in the region. Total off-campus student expenditure in 2006/07 is estimated to be c. £2.7bn. However, the expenditure in the region by *incoming* students only is estimated to be c. £993m, generating £432 m of GVA for the regional economy
 - the main contribution of the HEI sector to the economy comes through the deployment of the knowledge and skills of its graduates. Using data on graduate earnings' premium and based on the number of North West HEIs' graduates entering employment in the region in the last ten years, we estimate the contribution to the region's GVA in 2007 as c. £2bn

- finally, the HEIs' business and community interactions generate a further set of contributions to the North West economy. Based on activity reported in the national Higher Education- Business and Community Interaction Survey, the study estimates that in the North West, HEIs provide:
 - contract research, consultancy services and facilities equipment for clients in the region to the value of £27.7m
 - CPD/CE to individuals, businesses and other, non-commercial organisations in the region to the value of £23.4m
 - licensing IP to businesses and non-commercial organisations in the region to the value of £0.4m
 - contributions to new company formation summarised as:
 - 23 spin-offs with formal HEI ownership
 - 4 spin-offs with no HEI ownership
 - 8 start-ups by HEI staff members
 - 198 start-ups by graduates
 - estimated employment (full time equivalents) in all active firms (all categories) at 2006-7 is 1,676 FTEs
 - estimated total turnover in all active firms at 2006-7 of £64.8m
 - annual income from sale of shares in spin-offs of £6.4m
- participation by North West HEIs in regeneration and development programmes has attracted funding from sources external to the North West region of £27m and from sources within the region of £14.8m
- the annual value of social, community and cultural engagement "events" is estimated, using "value of time" shadow pricing, as £4m.

Other findings

10. In addition to quantitative assessment of value and impact, the report also presents additional, largely qualitative findings on the contribution of North West HEIs to the region *drawn mainly from individual, semi-structured consultations with senior representatives from institutions and a focus group discussion. The research questions explored with consultees were specified by the NWDA and the project steering group at the start of the study.*
11. *The qualitative findings reinforce the quantitative evidence of the important contribution made by North West HEIs to the region. HEIs are important economy shapers through their roles in education and skills provision; in research and knowledge exchange; and more generally to the development of the knowledge-based economy through thought leadership.*

They play significant roles as place makers, contributing to the character and brand of the region's towns and cities, and through providing other cultural, community and civic assets.

Forward look

12. The future potential for HEIs to contribute to the challenges being identified for the region is considered, notably those challenges that are being articulated as part of the *preparation* for the development of the new integrated Regional Strategy from 2010. We highlight ways in which the diversity of HEIs in the North West can be a key regional asset, with individual HEIs within the regional mix all bringing their individual expertise and excellence across teaching and learning, research and knowledge transfer, widening participation, workforce development, and wider third stream activities around civic, cultural and community engagement.
13. One of the most significant conclusions from our work is that the number of graduates from North West HEIs who stay and work in the region (and hence the number of *people* in the workforce with level 4 qualifications) is the key variable. Continuing to increase participation in HE will have a real effect but, more importantly, increased graduate employment in the region will be important to improving GVA in the future.