



Cynulliad National  
Cenedlaethol Assembly for  
Cymru Wales

**Araith Gareth Jones AC OBE Ysw., Aelod Cynulliad Aberconwy a Chadeirydd Pwyllgor Menter a Dysgu, Cynulliad Cenedlaethol Cymru, ar gyfer agor cynhadledd i drafod effaith sefydliadau addysg uwch ar economïau rhanbarth – Dydd Mawrth, 17 Mehefin, Yr Atrium, Caerdydd**

**Speech for Gareth Jones AM OBE Esq., Assembly Member for Aberconwy and Chair of the Enterprise and Learning Committee, the National Assembly for Wales, to open a conference on the impact of higher education institutions on regional economies – Tuesday, 17 June, Atrium, Cardiff**

**“THE ECONOMIC CONTRIBUTION OF HIGHER EDUCATION IN WALES”**

- ***Bore da – Good morning***
  - It is my pleasure and privilege to speak at the beginning of your working conference and discussion seminar on the impact of higher education on regional economies. I am delighted that you have chosen to come to Cardiff to this spectacular venue.
  - You have invited me to speak in my capacity as Chair of the National Assembly for Wales Enterprise and Learning Committee. As Professor Gummatt mentioned, for some months now the Committee has been conducting an inquiry into the economic contribution of higher education in Wales. By way of introduction therefore, I wish to say a word about how the Committee operates and why it has undertaken this inquiry.
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- The rapidly maturing process of devolution and the transformation in the governance of Wales in recent years are evidence of the exciting and challenging times in which we live in the Principality. As a result of the new constitution established by the Government of Wales Act 2006 and the greater legislative powers and budgetary mechanisms enshrined within it, as Members of the National Assembly for Wales we now have much enhanced scrutiny opportunities. These empower us to ensure that policies are robust and provide value for money, and to monitor the performance of Government in delivering public services.
- The Assembly's new Committee structure is central to its commitment to the execution of effective scrutiny. The Scrutiny Committees follow an approach similar to that of the Select Committees in Westminster. The Enterprise and Learning Committee is a cross-cutting scrutiny Committee, which has within its remit – *economic development; lifelong learning; transport; and social enterprise*. As a former headteacher and now a Government backbench Assembly Member, I do not believe that education, economic development and regeneration should be placed in silos. Links between skills and employment, between education and economic development, between knowledge and wealth creation need to be strengthened if Wales – and indeed other parts of the United Kingdom - are to have vibrant communities and a prosperous future.
- In keeping with the model examined and advocated in the highly influential Beecham review of local service delivery in Wales, the Committee's cross-cutting and non-partisan scrutiny is centred on the citizens of Wales. We are trying to engage more proactively and innovatively with civil society and are hoping that civil society reciprocates. Over the coming parliamentary sessions, we hope to hear from individuals and organisations which can articulate the voice and experience of the people – needless to say we have not had any difficulty identifying erudite and cogent witnesses during our hearings with academics and business leaders!

**So why did we undertake our inquiry into the economic contribution of higher education in Wales?**

- Your *Impact* initiative has come about because of an acknowledgement of the need to promote better understanding of the key economic and social impacts generated by higher education institutions. Our colleagues in Universities Scotland told us recently that more complex modelling is required to measure the impact of higher education in its own right and against other investment possibilities. I am sure that you are considering these questions as part of your research.
- In recent years, many universities have been realising that there is a symbiotic relationship between innovative and enterprising higher education institutions and successful and wealthy regional and local economies. This agenda has to be developed for the good of all who live and work in the United Kingdom. As Lambert observed:

Universities will have to get better at identifying their areas of competitive strength in research. Government will have to do more to support business-university collaboration. Business will have to learn how to exploit the innovative ideas that are being developed in the university sector.
- However, it is particularly challenging for us in Wales, where we have high levels of economic inactivity and low skills levels. Committee Members are concerned about young people from low-income communities gaining access to higher education, so that they might eventually give something back and help drive their local economies. The skills and employment agenda is a real challenge for the Welsh Assembly Government, as there is a need for both back-to-work training and in-work training. There is a need to address the issue of enabling those without recognised qualifications to build upon their life skills to enter employment at a high enough level to achieve a sustainable income level considerably above the average wage. These issues – and others, including the contribution of sector skills councils, the collaboration of HEIs with FE Colleges, and the development of

Foundation Degrees – are all part of the inquiry’s terms of reference, but I do not consider them to be its main focus.

- We are all too aware that the Welsh economy lacks a large number of multi-nationals - our economy is characterised by a preponderance of small to medium-sized enterprises. These often find it difficult to engage with the training and development agenda. A number of the more specialised SMEs have raised concerns with us that due to complex issues associated with confidentiality and ownership of intellectual property, they have to conduct research independently from HEIs. We have also been told by the business community that the structure, governance, and risk-averse culture of HEIs do not easily facilitate relationships with businesses. Maybe a greater acknowledgement that not all ideas emanate from academe is required.
- These issues therefore form a large part of the complex and challenging backdrop of our inquiry.

**I will now discuss what we have learnt in recent months by scrutinising leading academics and business people.**

- The most obvious issue is the need to redefine the role of our universities in order that they fulfil their responsibilities to the knowledge economy in the twenty-first century. In his review, published last October, Lord Sainsbury set out the characteristics of universities of the future. He described the “*diversity of excellence*” that may be required, ‘with research universities focusing on curiosity-driven research, teaching and knowledge transfer, and business-facing universities focusing on the equally important economic mission of professional teaching, user-driven research and problem-solving with local and regional companies.’

- As well as the obvious good practice and challenges, that we have examined and identified throughout the HE sector in Wales, it would be fair to say that in analysing the economic contribution of our HEIs the progress and character of our inquiry has been influenced by three events in particular - the Committee's visits to the University of York, to higher education institutions in Boston, Massachusetts, and the conclusions and recommendations and presentation of evidence by an independent panel commissioned by the Welsh Assembly Government to review publicly funded commercialisation activities in Wales. I will now expand on these three qualitative leaps in our scrutiny.
- **Firstly**, as you will be aware, **the University of York** is now listed among the world's top 100 HEIs. We visited its science park and saw for ourselves how the presence of such a facility on a university campus can provide a workable solution to the problem of how to capture the economic value that universities generate locally. The fact that it is the result of partnership working between the university, the City of York Council and local businesses, is something we would all do well to consider. We were told that the park's success in attracting spin-ins had been underpinned by the university being able to secure the best broadband connections available – this again will be a huge challenge for us in Wales. We were also impressed in York by the way enterprise and innovation were mainstreamed in all aspects of corporate planning, following the lead of its Vice-Chancellor. As some of you are know, HEFCE funds its Enterprise and Innovation Office, which has five business development managers, who have experience at a senior level of both academia and business of protecting and developing intellectual property. Unlike many universities, York does not consider continuing professional development (CPD) a Cinderella activity, and is a leading player, linking to the needs of hi-tech businesses and SMEs – that is probably why it has been asked to develop a UK network of CPD contacts, again with HEFCE funding.

- **Second**, Members who visited **Boston** were struck by the obvious contrasts with higher education in Wales, yet learnt much that has influenced our inquiry – a walk around the MIT media lab, I am told, was a visit to “Tomorrow’s World”. The entrepreneurship eco-structure of MIT has developed over the last 40 years and is a coming together of technology and entrepreneurship nurtured by both academics and business – the culture of Massachusetts supports the institutions as engines of economic growth and they in turn are the creators of thousands of jobs in the greater Boston economy. Academics in both private and publicly funded HEIs in the States seem to have the panache to ask business for what they need. We would observe that that specific skill seems to be lacking in many – though not all - areas in HEIs in Wales. Also in the US, academics appear to be given far greater freedom and incentives to undertake consultancy work and innovation activities. Since many of our institutions here depend on the elite model of funding, whereby academics are rewarded for their research, and because Third Mission activity is not embedded into performance management – as it is in York, for example – there is little incentive to participate in knowledge exchange activity. As Professor Philippe Aghion of Harvard recently observed, ‘innovation-based growth requires complementary policies’ – greater autonomy for our academics and liberalisation of consultancy may need to be seriously considered.
- **Third**, the review of publicly funded commercialisation activities in Wales was led by **Simon Gibson**, a highly successful businessman, and the review members comprised a senior academic and representatives of Welsh business. Gibson observed that Wales lacked a commercialisation strategy, which should be a clear statement summarising the expected outcomes of such activities. As the report states:

Wales, as is the case in many other parts of the industrialised world, has only relatively recently regarded commercialisation as an element of the economic policy agenda.

He told the Committee that he and his team had observed a number of structural flaws in the execution of policy and opened our eyes to the fact of “open innovation”, that is, money-making spinouts which can frequently take on a completely new existence once they are exploited commercially. Another feature of the Gibson review was the recommendation regarding the establishment of advisory panels to ensure that spin outs are *de rigueur* and to intensify the relationships between academics and senior business people who have experience of start ups. This use of the business community to help academics, which frequently involves drawing on the goodwill and expertise of alumni – who in their turn take pride in their links to their *alma mater* and the HE sector generally - is something we would wish to see developed extensively and more formally throughout HEI networks in Wales.

**What of our future economic prosperity and the role of the current student population in creating and sustaining it?**

- As one of our Vice-Chancellors recently observed:

Every course that we provide has got to be able to demonstrate that it is helping the economy of the region [which in this case was north-east Wales], but also going beyond the region into the whole of the country. Our focus is the employability of our graduates and the social and economic development of the whole of Wales.
- Flexible provision, we believe, will be key to this agenda, as will a sustainable portfolio of vocational and bespoke courses, which are demand led. There needs to be further growth in part-time learning to meet the needs of employers and the aspirations of those who are already part of the workforce and who wish to improve their skills. Operational experience and the acquisition of higher-level skills should go hand in hand to drive our economy.

- Those Committee Members who visited Babson and MIT in Boston observed the positive results of students being taught from the very beginning of their courses to “pitch their ideas”. We know that there are many MBAs even in the UK who lack these skills, although television programmes such as “The Apprentice” are having a rapid and palpable influence on the student population. US students are taught the “*PC squared*” formula – *Preparation; Confidence; Persistence; and Creativity*. They are led to consider “how to” and “what if”, rather than “this was the case”. It is *experiential learning* – which sounds exciting and engaging to me. As a result, on graduation, they have a gamut of soft skills such as team work, communication, problem solving, which can be put to good use even in non-enterprise employment.
- Yet another challenge we are facing throughout the UK economy is the mismatch between business needs and the skills’ portfolios of our young people. The dearth of STEM graduates is particularly worrying. We were however encouraged to learn of the success of GO Wales, the HEFCW-managed initiative to help students, graduates and businesses (especially SMEs) in Wales with placements, work experience, funding for training, which also offers an online database of jobs in Wales. We would like to suggest that our student unions too could take on a more proactive role in the development of soft skills.

**To sum up...**

- As Chair of the Enterprise and Learning Committee, I have attempted to set out some of the issues that have emerged during our inquiry. I trust they will inform your discussions here today. I believe that as politicians we have engaged constructively with an agenda that is vital to the future prosperity of Wales. Our ambition is to speed up the pace of much needed cultural change in our universities. I emphasise that to say that does not in any way belittle knowledge accumulation and learning in the sector and the numerous examples of successful

knowledge transfer partnerships, which are already making an impact in several parts of Wales.

- We also hope that our recommendations, when published and debated, will influence Government in Wales, so that Ministers will feel disposed to invest in higher education – and commission relevant research from the sector - in order to generate wealth and drive improvement in our country. I have purposely avoided discussion of funding and funding gaps this morning, but will say that tertiary education deserves our fullest support to help make Wales competitive in a global, knowledge-based economy. We cannot ignore the threat and challenge we face from the emerging economies of China and India. One of our Vice-Chancellors aphoristically commented on the need for vision and commitment at this time:

The Welsh Assembly Government needs to see universities not as a drain on the public purse, but as an investment.

For their part, HEIs need to work together to access funding from a range of sources, including the new round of European Structural Funds, which I know many are doing. Personally, I would also stress that the engagement of our HEIs in regional economic development is an opportunity for them to demonstrate the efficacy of devolution and to provide solutions to some of the problems facing post-devolution Wales. I am sure that notable examples of collaboration and the strategic management paradigm of networking in the sector will bear fruit in increased research capacity and collective action to serve our nation.

### **In conclusion...**

- I will of course continue to take an interest in the *Impact* initiative. It is a highly significant project, which will certainly have an impact on higher education policy and practice throughout the United Kingdom. I am very glad that we in Wales - and the Enterprise and Learning

Committee in particular - are making our own significant contribution to the wider agenda. We hope that our work will help you, as your initiative and conference will undoubtedly help us.

- I wish you well and look forward to learning of your results and conclusions in 2010.