

Impact of
Higher Education Institutions
on *Regional Economies*
A Joint Research Initiative



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This research brief series is intended to provide overviews of different strands of research associated with the Impact of Higher Education Institutions on Regional Economies research initiative.

The initiative is a major research venture jointly funded by the Economic and Social Research Council (ESRC) together with the four UK Higher Education Funding Bodies in England, Scotland, Wales and Northern Ireland. The initiative involves researchers from across the UK and is coordinated by the University of Strathclyde.

The initiative, which began in 2007, aims to promote better understanding of the key economic and social impacts generated by higher education institutions in the UK. There are nine projects, involving academics from across the UK, examining issues of:

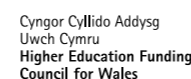
- higher education institutions and regional competitiveness
- influence of students and graduates on regions
- knowledge exchange between University and Industry
- universities and community engagement

For further information about the initiative and related research, please see:
<http://www.impact-hei.ac.uk>

R E S E A R C H B R I E F S E R I E S

No. 12
Wealth generated by universities
varies according to location and
type of institution

N O V E M B E R 2 0 1 0



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Wealth generated by universities varies according to location and type of institution

Universities and other higher education institutions (HEIs) are seen as key sources of knowledge for generating economic growth. Although there have been studies assessing the economic and innovation impact of HEIs, there has been little analysis of the differences in the relative contribution of HEIs across regions. This paper provides an exploration of some of these differences in the context of the UK's regions. It finds significant differences in the wealth generated by universities according to regional location and type of institution.

Key Findings

- Universities in more competitive regions are generally more productive than those located in less competitive regions.
- Traditional universities are more productive than their newer counterparts.
- Universities' productivity is positively related to their capacity for commercialising their knowledge.
- Weaker regions tend to be more dependent on their universities for income and innovation, but often these universities under-perform in comparison to institutions in more competitive regions.
- Uncompetitive regions lack the additional knowledge infrastructure that are more commonly a feature of competitive regions.

Implications

The diversity of higher education institution types is not sufficiently recognised by policymakers

- This diversity means that the regional role of universities is likely to vary on an institution-by-institution basis.
- Although some universities are relatively weak economic performers on a national scale, at a regional level they play a vital role as providers of both wealth and innovation capacity.

The regional environment may influence the actions of institutions

- Weak regions may have a higher than average density of small firms perceiving little benefit to be gained from engaging with the higher education sector.
- A strong knowledge-generating university in a weak region may engage with firms in other regions, resulting in a leakage of knowledge. This exacerbates regional competitiveness differentials.

For universities to play a regional role, their knowledge commercialisation and transfer initiatives must be fully supported to ensure sustainability and coherence.

- Universities' role in stimulating private sector demand for knowledge may be limited by the nature and extent of their own activities.
- At a national level, the standard science and technology model of engagement does little to harness the diversity of strengths possessed by the higher education sector.

Policymakers need to understand how current interventions alleviate market failure or stimulate new channels of knowledge flow to improve economic performance.

- Broader policy solutions are needed to transform uncompetitive regions into knowledge-based economies, particularly as future developments will be within a globalised knowledge environment.

Rather than burden universities further, regional policy should focus on attracting institutions with the potential to fill existing knowledge infrastructure gaps and establish agglomeration economies.

- In less competitive regions, the over-dependence on the higher education sector for innovation reflects a lack of sufficient nodes in regional knowledge and innovation systems.
- High performing universities are often supported by a system of institutions, including publicly-funded research institutes and laboratories dedicated to applied research.
- The UK's least competitive regions have no such established research infrastructure.

Methodology

The methodology consists of an analysis of secondary data sourced from: the annual Higher Education and Business Community Interaction Survey (HEBCIS), a consolidation of the annual financial accounts of all HEIs in the UK, as well as regional level data obtained from the Office for National Statistics. In all cases, the data refers to 2005/06.

In total, there are 158 HEIs across the UK. Approximately one-quarter of these are in London. South East England has the second highest number of institutions, followed by Scotland and North West England. To capture differences in the regional economic relevance of HEIs, the study calculated the value added generated by institutions as a proportion of the total value added generated across regions as a whole.

HEI value added for 2005/06 was calculated by adding together surplus, employee costs, and depreciation. This made it possible to gauge differences in HEIs according to their wealth generating capacities. It was also possible to estimate a measure of the labour productivity of HEIs by calculating the value added generated per full time equivalent employee.

Further Information

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