

The impact of universities on the UK economy



This briefing summarises the key findings of the fourth UK-wide study of the impact of the higher education sector on the national economy which has been produced by the University of Strathclyde on behalf of Universities UK. It updates and extends earlier studies published in 1997, 2002 and 2006.

The full report is available on the Universities UK website:
<http://www.universitiesuk.ac.uk/Publications/Pages/Default.aspx>

Introduction

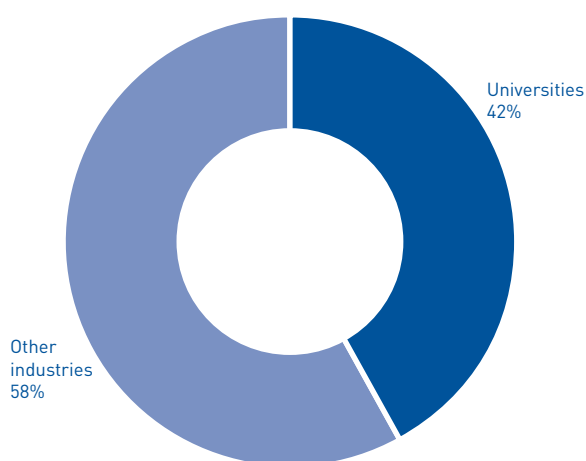
- Since the first Universities UK impact report appeared in 1997 the economic importance of higher education has been much more generally recognised and its contribution to national and regional economic development is attracting the attention of policy-makers. In the UK higher education is seen as being of key importance in the creation and transfer of knowledge to the economy through its teaching, research and other activities.
- The new study presents key economic features of UK higher education in 2007/08 and those aspects of its contribution to the economy that can be readily measured. The sector is analysed as a conventional industry, highlighting major economic characteristics of universities including their sources of revenue, employment created, output generated and export earnings attracted. It estimates the activity generated in other sectors of the economy through the secondary or 'knock-on' multiplier effects of the expenditure of the universities, their staff and international students and visitors.
- The report confirms the growing economic importance of the sector which had an income of £23.4 billion a year in 2007/08 (compared with £16.87 billion in 2003/04), gross export earnings of £5.3 billion and employed more than one per cent of the total UK workforce.
- In terms of its wider economic impact the sector generated over £59 billion of output (it has a higher than average output multiplier). The equivalent figure four years ago was £42.5 billion, confirming a rapid growth in economic impact.
- The report also confirms the substantial employment effect of higher education activity with around 668,500 jobs being created throughout the economy in 2007/08. Of these some 372,400 people were directly employed by universities.
- The report provides further evidence of the importance of international students to the sector and the wider economy. One significant impact is the volume of personal off-campus expenditure of these students, which amounted to £2.3 billion in 2007/08.

Key findings

The overall impact of the higher education sector

- Higher education sector impact is defined in this study to be that of the universities together with that of their international students and visitors.
- In 2007/08 the higher education sector spent some £19.5 billion on goods and services produced in the UK.
- Through both direct and secondary or multiplier effects this generated over £59 billion of output and over 668,500 full time equivalent jobs throughout the economy. The total employment generated was equivalent to 2.6 per cent of the workforce in employment.
- Gross export earnings for the higher education sector in 2007/08 were estimated to be over £5.3 billion. This includes the international revenue earned directly by the universities together with the additional personal expenditure of international students and visitors.

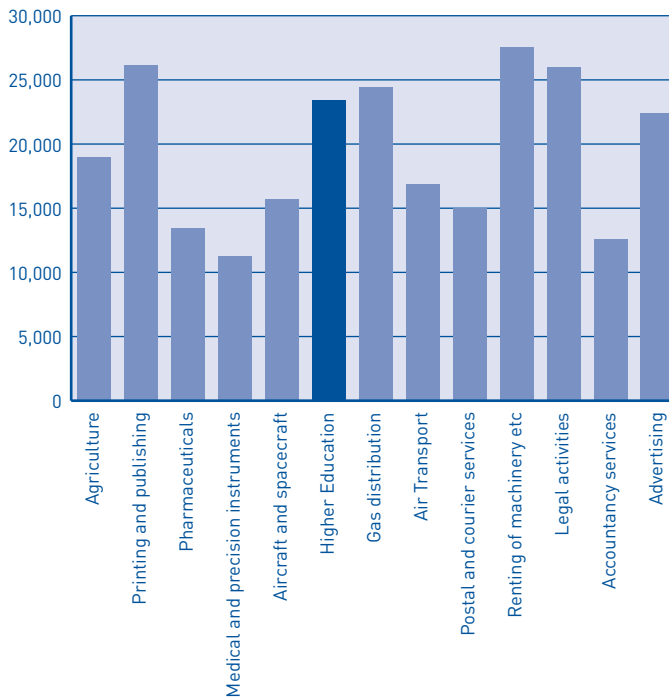
Total output generated by UK universities, 2007/08 (£59 billion)



Universities: direct income, expenditure and employment

- In 2007/08, the total revenue earned by universities amounted to £23.4 billion. In terms of sectoral gross output this was comparable to the printing and publishing industry and considerably larger than the pharmaceutical industry in the UK.

Industry comparisons: sectoral gross outputs, 2007/08 (£ million)

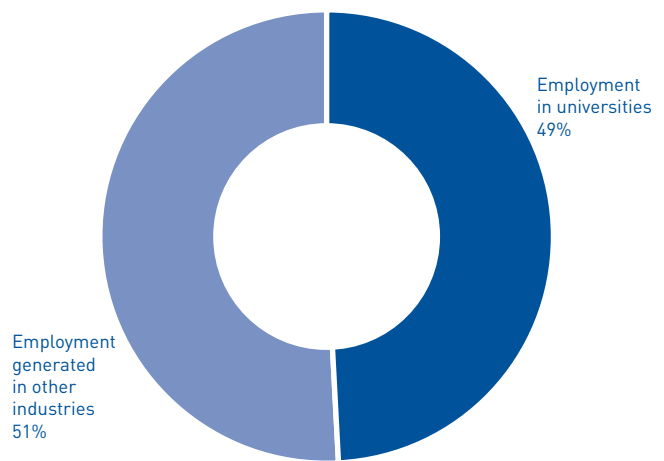


- University revenue from 'core' public sector sources (defined as funding council grants and academic fee payments from the public sector) accounted for just under 48 per cent of all income
- Total revenue from all public sector sources amounted to £14.3 billion or 61 per cent of all income.
- Income from private sector sources accounted for more than £6 billion or 26 per cent of all income.
- Universities' international revenues (institutional gross export earnings) amounted to over £2.9 billion, representing nearly 13 per cent of all income.
- In 2007/08, universities spent £22.9 billion, with the single largest component of expenditure being labour costs.
- Universities directly employed over 372,400 people, which equated to approximately 314,600 full time equivalent jobs. This was equivalent to 1.2 per cent of total UK employment.

Universities: secondary or 'knock-on' multiplier effects

- The expenditure of universities and their staff generated additional output and employment across the economy.
- For every 100 full time jobs within the universities themselves, more than 100 full time equivalent jobs were generated through 'knock-on' effects. Over 324,400 jobs in other sectors of the economy were dependent on the universities.
- For every £1 million of university output a further £1.38 million of output was generated in other sectors of the economy. This meant that an additional £32.4 billion of output was generated outside the universities as a result of their expenditure.

Employment generated by UK universities, 2007/08 (639,088 full time equivalent jobs)



International students and visitors

- Personal (off-campus) expenditure of international students attending UK universities in 2007/08 was estimated to be £2.3 billion. This was equivalent to 14 per cent of all UK receipts from overseas visitors to the UK for the year 2007.
- Higher education makes a key contribution to business tourism. Personal (off-campus) expenditure of international business and recreational visitors to UK universities was estimated to be just over £135 million in 2007.
- The expenditure of international students and visitors also generated output and employment throughout the country.
- International student expenditure generated almost £3.3 billion of output across the economy and over 27,800 jobs.
- International visitor expenditure generated around £189 million of output and over 1,600 jobs.

Higher education's contribution to Gross Domestic Product

- The importance of higher education to the economy can be seen through the generation of significant levels of output and employment. However, a key measure of its contribution to the national economy is its impact on GDP. GDP is used by all countries as an annual measure of the total value of all goods and services produced by an economy.
- In the year 2007/08, universities contributed over £31 billion to UK GDP. The off-campus expenditure of their international students and visitors made a further £2.4 billion contribution to GDP. Taken together this contribution came to over £33.4 billion – equivalent to 2.3 per cent of GDP in 2007/08.

Method and data

This study is based on the 166 universities and colleges included in Higher Education Statistics Agency (HESA) data for the academic year 2007/08. It focused on the examination of key economic characteristics of the universities and the impact generated by their activity.

The study also examined the impact of the off-campus expenditure of international students (i.e. all non-UK domiciled students) studying at UK universities. Estimates were also made of the impact of the off-campus expenditure of their international visitors. The off-campus expenditure of UK domiciled students was excluded as this may not be regarded as additional to the UK economy as a whole.

The model used was a purpose designed and specially constructed 'type II' input-output model based on actual data derived from the Office of National Statistics' input-output tables [2006] together with Labour Force Survey data.

Alternative formats

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This publication has been produced by Universities UK, which is the representative body for the executive heads of UK universities and is recognised as the umbrella group for the university sector. It works to advance the interests of universities and to spread good practice throughout the higher education sector.

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