

REPORT SUMMARY

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WHY DO UNIVERSITIES MATTER TO THE UK ECONOMY?

Universities support UK economic growth in many ways. They:

- generate and translate world-class research into new products, services, processes, and ways of working
- drive innovation with industry, government and the third sector
- help improve policy-making and the delivery of public services develop the existing workforce and new talent – graduates, apprentices, entrepreneurs – that our economy needs to grow and become more productive
- act as civic and local growth leaders for their local areas, attracting high-quality investment and talent, investing into the regeneration of their towns and cities, supporting local businesses to grow and export, and improving the well-being of local communities

These impacts are essential for the UK to remain competitive and productive internationally. Yet, they are notoriously difficult to quantify and often materialise over a number of years.

HOW DOES OUR REPORT MEASURE THE IMPACT OF THE UK HIGHER EDUCATION SECTOR?

Universities UK's [new report](#) by Oxford Economics uses two approaches: firstly, it measures the impact of what universities spend (as analysed in previous reports), and secondly it measures the impact of their research and the knowledge and skills of the first degree graduates they trained in 2014–15 on the productive potential of the economy (carried out for the first time in this report). These measures provide an overview of the economic contribution of the higher education sector for the UK.

Universities UK's analysis of the impact of university expenditure includes five main indicators based on data from the 2014–15 academic year:

- **Gross output** measures the *total* value of sales of goods and services produced by UK universities and their suppliers, the spending of their employees, and the spending of international students (and their visitors) outside of their campuses (off-campus spending) in 2014–15.
- **Gross value added** captures the *additional* value of goods and services produced by UK universities and their suppliers, the spending of their employees, and the off-campus spending of international students and their visitors in 2014–15. This is equal to gross output (see above) minus the value of inputs purchased from other industries, and represents the higher education sector's contribution to UK gross domestic product (GDP).
- **Jobs generated** measures the number of jobs (in headcounts and full-time equivalents) supported by UK universities and their suppliers, the spending of their employees, and the off-campus spending of international students and their visitors in 2014–15
- **Tax receipts** encompasses corporation taxes, labour taxes such as income tax and National Insurance contributions (NIC), taxes on products procured (eg value added tax (VAT)), and other taxes on businesses' production paid for by UK universities and their suppliers, the spending of their employees, and the off-campus spending of international students and their visitors in 2014–15.

- **Export earnings** covers the value of all goods and services purchased from UK universities in 2014–15 by individuals and organisations based overseas, including both students and research/knowledge exchange funders.

WHAT IS THE OVERALL ECONOMIC IMPACT OF UNIVERSITIES AND THEIR STUDENTS' SPENDING ON THE UK ECONOMY?

UK universities and their students generate significant economic activity in the UK, equal to **£95 billion** gross output in 2014–15. Thanks to this, the UK higher education sector:

- makes a substantial contribution to UK GDP, equal to **£52.9 billion** gross value added (GVA), or about twice that of the city of Birmingham
- supports almost **944,000 jobs¹** of all skill levels in the UK economy – approximately three times as many jobs than in the city of Sheffield
- generates **£14.1 billion** worth of tax receipts for the government that can be reinvested into public services, which is equivalent to 2.7% of all tax receipts received by Her Majesty's Revenue and Customs (HMRC) in 2014–15

WHERE DOES THIS COME FROM?

- Own activities (research, teaching and other services for students and the community), which generated turnover (or gross output) of **£33.2 billion** in 2014–15 – this is more than the legal activities and the advertising and marketing industries.

This spending has a *direct* impact on the UK economy as it translates directly into a **£21.5 billion** GVA contribution to GDP, **404,000 jobs**, and **£5.3 billion** in tax receipts for the government.

- Purchases of goods and services from UK suppliers (£11.7 billion) and investments in buildings and equipment (£4.2 billion). This expenditure helped the companies in UK universities' supply chains to generate **£18.3 billion** of gross output in 2014–15.

This spending has an *indirect* impact on the UK economy as it creates economic activity by boosting revenue and jobs in the companies that universities buy goods and services from. As a result, in 2014–15, this spending contributed **£8.9 billion** GVA to UK GDP, and supported around **160,000 jobs** and **£2.1 billion** in tax revenue. The professional services, construction and manufacturing industries benefitted the most from this impact.

- Salaries paid to staff employed by universities and companies in their supply chains totalled £17.1 billion and supported **£31.2 billion** of gross output in 2014–15.

This spending has an *induced* impact on the UK economy, creating economic activity by boosting the income of university and supply chain employees and their families (which in turn gets spent on other goods and services produced in the UK). This spending therefore added **£16.4 billion** in GVA to UK GDP, supported **273,000 jobs** and **£5.5 billion** in tax contributions.

- Spending from international students and their visitors. In 2014–15, UK universities attracted 437,000 international students (71% from outside the European Union (EU)) who paid a total of £4.8 billion in tuition fees, and £0.6 billion in other payments for services provided on campus (on-campus spending). International students also spent £5.4 billion off campus to cover their living costs (off-campus spending), and attracted friends and relatives to the UK who spent an estimated £520 million in 2014–15.

^[1] Employment calculated on a 'headcount' basis. This equates to approximately 800,000 full-time equivalent jobs.

International students' off-campus spending and that of their visitors supported £12.3 billion in gross output, a **£6.1 billion** GVA contribution to GDP, **108,000** jobs, and **£1.2 billion** in tax receipts, including indirect and induced impacts. Students from outside the EU are responsible for approximately 71% of this impact.

In addition, a substantial share of universities' direct and indirect impacts (see above) can also be attributed to international students as it is supported by their on-campus spending, including tuition fees and other payments to universities.

The combination of on- and off-campus spending by international students and their visitors therefore generated a total of £25.8 billion in gross output in the UK in 2014–15, which contributed £13.8 billion GVA to GDP, and supported **250,000^[2]** jobs and **£3.3 billion** in tax receipts in the same period.

Put another way, every international student generated £22,000–35,000 GVA, 0.39–0.63 jobs, and £5,000–£9,000 in tax revenue in 2014–15.

International students were also responsible for a large share of the higher education sector's export earnings (see below).

WHAT IS THE CONTRIBUTION OF UNIVERSITIES TO UK TRADE?

UK higher education is a significant export industry for this country. Its success in attracting foreign students and income generated £13.1 billion in export earnings for the UK in 2014–15. Of this, £10.8 billion can be attributed to international students' on- and off-campus spending (both of which amounted to £5.4 billion in 2014–15), and the remaining £2.3 billion to international students' visitors, research grants, and other income secured by UK universities from abroad.

WHAT IS THE CONTRIBUTION OF RESEARCH AND DEVELOPMENT CONDUCTED IN UNIVERSITIES AND THE GRADUATES THEY TRAIN?

Another way of measuring the economic impact of universities is by estimating their long-term contribution to the UK's stock of knowledge through research and development – a major source of innovation and growth – and human capital formation, which provides the mix of knowledge and skills that are essential for maintaining a productive UK workforce. This is the most important contribution of universities, but also the most challenging to measure.

Oxford Economics estimates that:

- the future benefits of research and development conducted by universities in 2014–15 are currently worth £28.9 billion to the UK economy
- universities' investment in skills for graduates receiving their first degrees increased the UK's stock of human capital by £63 billion in 2014–15

Many of the universities' most valuable contributions to the UK economy and society cannot be fully accounted for by these estimates. Higher education institutions work closely with businesses and local communities to create prosperity across the UK.

- The University of Sunderland's Hope Street Xchange centre supports fledgling start-ups and offers space for existing local businesses to develop and grow. Located on the university's city centre campus, it also serves as a gateway to the university's research, expertise and problem-solving capabilities.

^[2] Employment calculated on a 'headcount' basis. This equates to 206,600 full-time equivalent jobs.

- Sheffield Hallam University helps small- and medium-sized enterprises to access academic expertise, specialist facilities, and supports business growth through bespoke research-and-innovation-based consultancy in the Sheffield Innovation Programme.
- Sheffield University's Advanced Manufacturing Research Centre brings together the university's expertise and innovation capabilities with the experience and resources of some of the country's most significant manufacturing firms.
- Keele University and its local partners (including Staffordshire University) are investing £70 million into programmes aimed at generating significant long-term economic growth in Staffordshire and Stoke-on-Trent through the New Keele Deal.
- Falmouth University runs Launchpad, an innovative incubation and acceleration programme that aims to boost Cornwall's economy and retain graduate entrepreneurs locally through the creation of sustainable, high-growth, digital and creative businesses.
- The Policy Institute at King's College London is helping to find solutions to issues facing London. For example, the King's Environmental Research Group is a leading authority in air quality and its research is helping shape London's response to air pollution.

CAN THESE FIGURES BE DIRECTLY COMPARED TO THOSE PRODUCED IN 2011-12?

Due to methodological differences, the new figures cannot be compared directly to those from Universities UK's 2011-12 analysis of expenditure impacts. However, the [new report](#) by Oxford Economics includes restated figures for gross output, GVA and jobs generated, based on the same methodology used for an upcoming report by Universities UK, which can be used for comparative purposes (see Appendix 2 of the report).

THE ECONOMIC IMPACT OF UNIVERSITIES IN 2014-15



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