

THE ECONOMIC CONTRIBUTION OF THE HIGHER EDUCATION SECTOR IN ENGLAND

Summary report prepared for Universities UK

27 September 2021

Frontier Economics was commissioned by Universities UK to produce up to date estimates of the economic contribution of the Higher Education (HE) sector in England. We drew on the existing literature estimating the direct, indirect and induced impacts of English universities and applied those estimates to the latest available Higher Education Statistics Agency (HESA) data (which at the time of conducting the analysis was 2018-19) to obtain current estimates of the economic footprint of the sector.

THE ACTIVITIES OF THE HE SECTOR SUPPORT MORE THAN 815,000 JOBS IN ENGLAND

England is home to some of the most highly regarded universities in the world with a number regularly ranking in the top 10¹. There are over 130 universities in England which provide education to around two million students². As well as providing education, universities produce cutting edge, impactful research across multiple disciplines from science and engineering to the arts. By educating people and producing world leading research, universities boost the human capital and the productive capacity of the economy enabling it to grow.

As well as these longer-term impacts, universities generate economic activity through their employment of staff and impact on other sectors. Our study estimates the magnitude of universities' economic activity. We find that beyond the 360,000 jobs they provide directly, English universities support a further 455,000 more jobs across their localities and the wider economy. This means that in total, the HE sector in England supports in excess of 815,000 jobs.

THE ECONOMIC CONTRIBUTION OF THE HE SECTOR IN ENGLAND IS £95BN

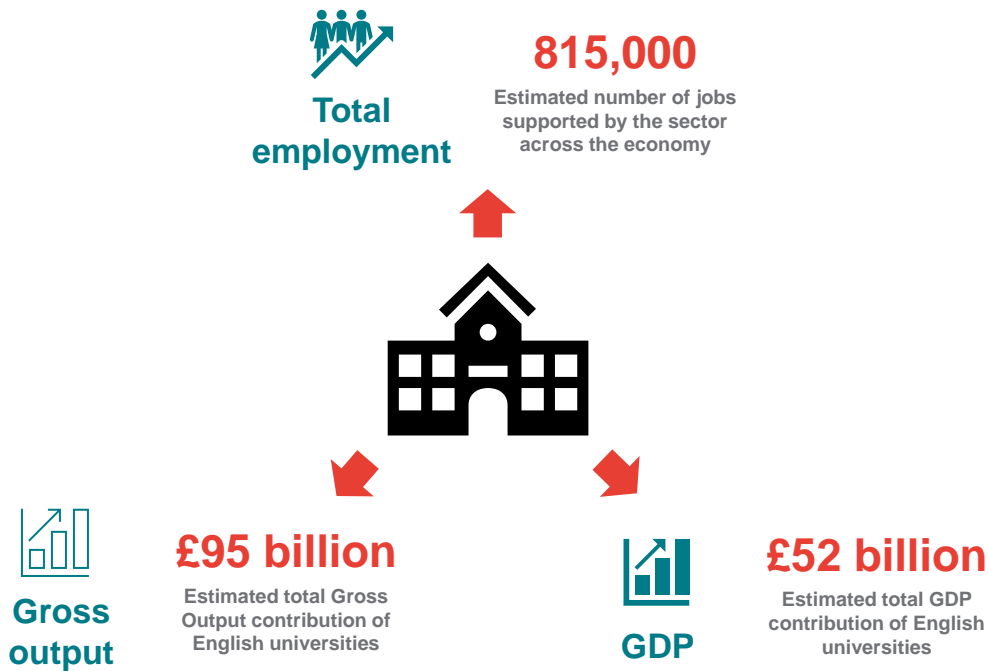
English universities and the international students and visitors they attract generated in excess of £95bn of gross output in the economy in 2018-19. In GDP terms, the sector grew by around a quarter between 2014-15 and 2018-19 to over £52bn.

¹ University of Oxford and University of Cambridge are ranked in the top 10 for 2021 according to: https://www.timeshighereducation.com/world-university-rankings/2021/world-ranking#!/page/0/length/25/sort_by/rank/sort_order/asc/cols/stats

² See: <https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he#numbers>

Universities support additional employment and economic output through their purchase of goods and services from other sectors and through the expenditure of their staff – these are known as indirect and induced effects in the economic literature.

Figure 1 Economic contribution of English universities



Source: Estimates based on economic multipliers produced by previous studies applied to most up to date HESA data

Note: Estimates based on 2018-19 HESA data

Universities also attract substantial numbers of international students who, in turn, attract further visits from friends and family (e.g. for graduation ceremonies or visits) leading to further spending in the economy. The latest data³ shows that there are around 400,000 international students enrolled in English universities who spend substantial amounts of money on tuition, accommodation and subsistence while in the country. Visitor spending associated with international students is also likely to run in the hundreds of millions - we estimate that more than £450m of overseas visitor spending is attributable to international students studying at English universities.

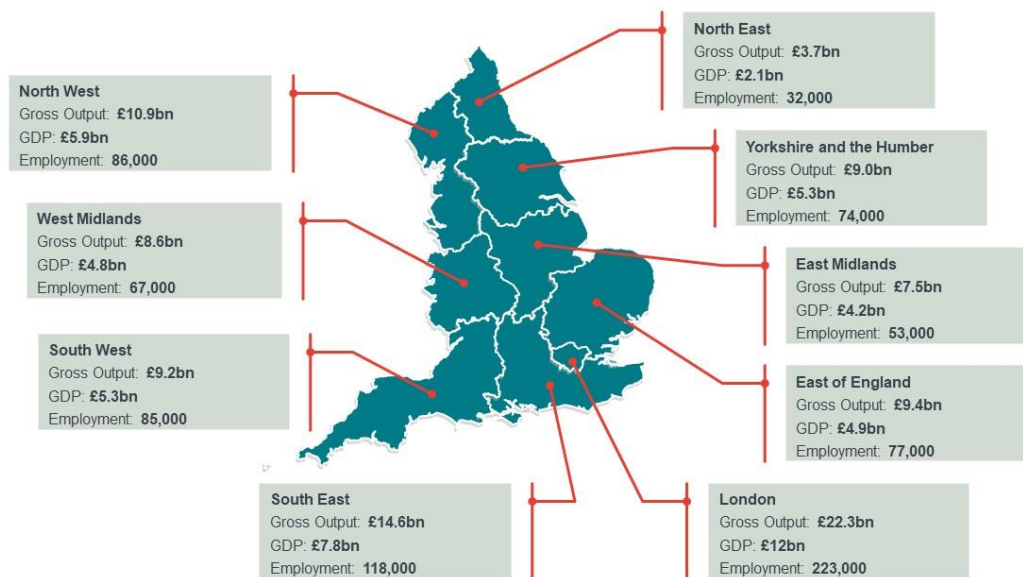
³ See: <https://www.hesa.ac.uk/data-and-analysis/students/where-from#non-uk>

UNIVERSITIES MAKE A SIGNIFICANT CONTRIBUTION ACROSS THE ENGLISH REGIONS

The local economic footprint of individual universities is well understood and there have been multiple studies⁴ examining this issue for various institutions across the country. We have drawn on these studies and applied their findings to the latest data in order to derive estimates of the economic footprint of the sector for the regions.

Our findings, summarised in **Figure 2**, show the significant contribution the HE sector makes to the English regions.

Figure 2 Economic contribution of English universities in the regions



Source: Estimates based on economic multipliers produced by previous studies applied to most up to date HESA data

Note: Estimates based on 2018-19 HESA data

⁴ For a recent summary of studies looking at the local economic impacts of universities in England see https://www.ucl.ac.uk/article/10922/New-study-demonstrates-huge-local-economic-impact-of-universities?_ga=2.237556675.233180915.1632161433-389618444.1615285694#citydata