



Report of the Director of City Development

Scrutiny Board CITY DEVELOPMENT

Date: 19th FEBRUARY 2008

Subject: THE LOCAL ECONOMIC IMPACT OF STUDENTS AT LEEDS' TWO UNIVERSITIES

Electoral Wards Affected:

ALL

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 PURPOSE OF REPORT

1.1 A report to this Scrutiny Board on 18th December 2007 referred to the Board's previous request for a report on the economic impact of Leeds' university students. It said that a detailed report would be brought back to the Board early in 2008.

1.2 This report contains the estimates requested by the Board within a wider report on the combined economic impact of both Leeds Metropolitan University (LMU) and the University of Leeds (UL).

2.0 BACKGROUND TO THE FIGURES

2.1 The report includes estimates of the impact made by students, but it also measures the impact of staff wages and salaries and other university spending on goods and services. All of these impacts, not just the spending of students themselves, can be viewed as the economic impact of students. After all, without students there would be no universities in their current form.

2.2 All spending by students off-campus on goods and services, and by a university and its staff, has *direct* effects on output and employment, and secondary or *indirect* effects on other firms' output and employment.

2.3 The estimates are derived from the *Universities UK economic impact modelling system* developed by the University of Strathclyde. This has been made available to all UK universities to help them measure and demonstrate the impact of their own institution on the UK and regional economies. LMU and UL recently ran their figures through the model in response to the Board's request.

2.4 The model requires each university to input a range of figures such as staff numbers and salaries, university spending on goods and services, and the number of international students.

Through a series of formulae based on UK input-output tables and labour statistics, the model estimates the direct and secondary (or “knock-on) economic impacts on the UK and local region.

2.5 There are some caveats to be aware of:

(i) The input data are for 2005-6 in the case of UL and 2006-7 for LMU, so the estimates are probably on the low side.

(ii) The model shows impacts on the UK and the region not the city. However, we can assume that most of the regional impact is on the city and surrounding area.

(iii) The analysis excludes the impact of FE students, of which LMU has over 13,000, those on short courses, and those undertaking HE courses in Leeds in institutions other than the two universities.

(iv) It excludes the off-campus expenditure of UK and international visitors to university conferences and events.

(v) Most important of all, it excludes wider impacts such as the universities' role in stimulating local innovation and business competitiveness. The universities are the source of a complex web of activities and services over and above their mainstream teaching and academic research. Examples are helping companies to develop new or improved products and services, and improving processes for greater efficiency; providing research, development and consultancy for regional and international businesses, and the associated network of Centres for Industrial Collaboration; creating spin-out companies (about 6 a year); providing business incubator space, facilities and know-how; attracting inward investment from high-technology companies; providing work-related learning (CPD, management development, organisational development); graduate recruitment and placement programmes (the universities have provided figures on the destination of first degree graduates: see 4.0); providing graduates with enterprise skills (around 160 graduate companies and 300 jobs were created between 2002 and 2005); and plans for the development of innovation zones and technology parks. Universities are no longer the ivory towers that they were widely perceived to be some years ago. Links between Leeds' universities are many and varied. In an increasingly global and knowledge-based economy, universities are vital not only as producers of knowledge and teaching of young people but as actors in the local economy, disseminating that knowledge to, and problem solving for, local companies.

3.0 STRATHCLYDE MODEL RESULTS

The combined impacts of LMU and UL are presented here.

Economic impact of LMU and UL				
	Impact of university expenditure	Impact of UK students (based on 50,696 no.)	Impact of international students (based on 7,728 no.)	Combined impact
1. Direct output (=turnover), £m	529	0	0	529
2. Secondary output, £m	824 (550)	411 (240)	60(38)*	1,295 (828)
3. Total output generated, £m (1+2)	1,353 (1,079)	411 (240)	60(38)*	1,824 (1,357)
4. Direct employment, fte	8,494	0	0	8,494
5. Secondary employment, fte	8,907 (6,394)	3,631 (2,320)	550 (373)	13,088 (9,087)
6. Total employment generated, fte (4+5)	17,401 (14,888)	3,631 (2,320)	550 (373)	21,582 (17,581)
7. Export earnings, £m	57	0	39	96
All figures in brackets are the regional impact which comprises part of the main figure *Generated from £39m of off-campus expenditure (see row 7) All financial estimates rounded to nearest million Fte = full-time equivalents (1 full-time job=2 part-time) LMU figures based on 2006-7, UL on 2005-6 input data				

4.0 GRADUATE EMPLOYMENT

4.1 One of Leeds' economic aims is to develop innovative and knowledge-based industries and support business growth more widely, so the extent to which graduates are attracted to work in the city is of interest.

4.2 In any one year, around a third of those first degree graduates from the two universities who have entered employment at 6 months after graduating will be working in Leeds. The progress of the cohort is not monitored over a longer period so it is not known what proportion are still working in Leeds after three years, for example.

4.3 Manchester University has found that Yorkshire and the Humber as a whole is a net exporter of students (fewer graduates find their first job in the region than the number who study there), compared with London, the South East and East regions which are net importers. In fact, in the UK only the East Midlands and the North East are bigger net exporters. More positively for Leeds it also found that 35% of all northern graduates who remain in the north on graduation gravitate to the Manchester and Leeds labour markets.

5.0 CONCLUSIONS

5.1 The local economic impact of Leeds' two universities is substantial. They are responsible for over £1.3bn of output and 17,600 fte jobs. Leeds' GVA (a measure of output) is around £15.3bn and there are around 388,000 fte jobs so the universities' contribution is around 9% and 5% respectively. They also supply graduates each year to the local economy.

5.2 Within these figures the impact of students themselves is smaller, but the wider impact is dependent on the universities attracting students in the first place.

5.3 The figures are conservative because they are based on slightly dated input data, and the impact of conference and events expenditure, and the universities' substantial role in supporting local business competitiveness and innovation are not quantified here.

6.0 RECOMMENDATION

The Board is asked to note this report