



report

The Impact of Universities in Regional Communities
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1 Introduction

Universities are significant financial and social institutions in the regions in which they operate. They provide many educational, research, economic, cultural and social opportunities which otherwise would not be available in the region.¹ This paper examines the potential economic and social impacts a university can have on a regional community.

¹ Business/Higher Education Round Table 2001b, *The Role of Universities in the Regions*, BHERT, Melbourne



2 Economic Impact

The economic impact of the university sector in Australia can be measured in three major ways:²

1. The income and employment generated in the nation through its teaching and research activities (including the generation of export income);
2. The enhancement of the nation's human capital through its education of university graduates; and
3. The creation of wealth through the spillover effects to government and business of its research and development activities.

2.1 Income, Expenditure and Employment

The most basic impact of a university is through its role as an economic entity. The economic benefit derived from its activities as an economic entity differs very little from the economic benefit one would expect from any other entity that employs people and trades in the local economy. A university earns income, expends income and employs staff. The direct impact of income, expenditure and employment generated by the universities is also further augmented by the "multiplier effect" as some money spent locally by the university is spent again by those who receive it. Universities also induce local expenditure as they attract students and visitors who in turn spend money within the region. The economic benefit derived from a university's income, expenditure and employment is positively related to the scale of the university. That is, the number of students enrolled at a university will play a large part in determining:

- the number of staff employed (which in Australia is a ratio of approximately 1 staff member for every 20 students);
- direct expenditure by the university in the local economy;
- the number of graduates produced; and
- induced expenditure in the local economy

Thus, the size of a university's student catchment is a crucial factor in determining the economic benefit the university will generate. In the long term, the economic impact derived from income, expenditure and employment is ultimately constrained, as there is an upper limit in the extent to which the university can expand its market.

² Cabalu, H., Kenyon, P. and Koshy, P. 2000, Of Dollars and Cents: Valuing the Economic Contribution of Universities to the Australian Economy, Business Higher Education Round Table, Melbourne.



2.2 Human Capital

The primary role of universities is to educate students and produce new knowledge. This contributes to the economic viability of a region by providing the region with the necessary skills to enhance the competitiveness of its economic base. However, considering the flow on effects a university has on the skill base region, it is only credible if there is concordance between the courses provided and the skills needed in the region to ensure that the majority of graduates gain employment and remain in the region following graduation. If sufficient graduate jobs are unavailable within the region, graduate students will migrate from the region after graduation (a phenomenon known as “Brain Drain”) and thus not produce any additional economic benefit to the region. Therefore any wider economic benefit to the region’s skill base would be contingent on a university’s ability to attract new employers to the region, to partner with industry to address skills shortages in the region or to create spin off companies to provide new higher paying jobs to not only retain their own graduate population but to attract graduates from elsewhere.

2.3 “Spillover” Effect

Universities that engage in research and innovation in addition to teaching activities will generate a much greater economic impact than those universities engaged in teaching alone. In addition to the economic impact generated through income, expenditure and employment these universities produce a “spillover effect” to the level of technology in the region through its research and innovation activities. Unlike the economic impact of a university’s income, expenditure and employment, the “spill over” effect is not dependent on the size of the university and thus is not constrained by market growth. Instead the extent of the spillover effect is determined by the university’s ability to:

- undertake research that that is both nationally and internationally important as well as research that is relevant to the region;
- collaborate with other higher education institutions, research organisations, businesses and industries;
- commercialise intellectual property;
- generate ‘spin off’ companies; and
- generate a critical mass of intellectual capacity to attract new knowledge intensive industries and industry clusters to the region

The emergence of Silicon Valley is one example of a large scale economic impact derived from the presence of the research and innovation university (Stanford University) in a region.



3 Social Impact

The presence of a regional university will have a significant social impact on the region in which it operates. This impact extends beyond the staff and students to the broader community in general. Many universities offer a wide range of cultural and recreational programs, engage in programs to enhance primary and secondary education, contribute to the provision of health and community services, provide services to local government and provide assistance to community groups.

3.1 Cultural Contribution

In addition to providing research, cultural and social fields, university campuses provide valuable infrastructure for the community including venues for public events, libraries, sporting facilities and research laboratories.

3.2 Enhanced Reputation

The scholarly activities of a university serve to enhance the reputation of the local region both nationally and internationally. This may result in an increased attractiveness of the region to industries and investment.

3.3 Youth Retention

The presence of a university campus also offers regional communities a better chance to retain their talented youth population. Youth migration is a major issue affecting regional communities in Australia and the lack of educational opportunities within these areas is a major contributor to this trend. The net loss of youth has significant social consequences as the net outflow reduces the capacity of rural communities to replenish their skill base and social networks. Regional universities are able to help reverse this outward migration by providing an opportunity for local students to study within easy access of their families and support structures.



4 Conclusion

All universities generate a significant economic, educational and social impact on the region in which they operate. However it is important that the economic contribution of a university extends beyond simply being a regional employer and purchaser of goods and services. In a knowledge economy, innovation and human capital are essential to economic growth and it is the research and innovation orientated universities that will yield a significantly greater impact on Australia's regional and national economy.