

## *Responding to the challenge of the Review of HE in Wales*

### HEW'S EVIDENCE TO THE ENTERPRISE & LEARNING COMMITTEE (ELC)

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales. HEW provides an expert resource on the Welsh higher education sector.

Universities in Wales represent a fast growing sector of the economy contributing an increasing share of our national economy. For every **£1 million** invested in HE by the National Assembly in 2005/06 universities contributed **£5.3 million** to the Welsh economy<sup>1</sup>. The HE sector in Wales:

- had a **turnover of over £1 billion in 2006/07**.
- generated a **£2 billion output** to the Welsh economy including direct multiplier effects.
- gained **export earnings for Wales of £170 million**, including £65 million from EU/overseas research grants and £104 million in fees and 'knock-on' expenditure from international students.
- earned **£121 million in total research grants** for Wales and over **£205 million** from contracts and other income streams.

### INTRODUCTION

1. HEW welcomes the opportunity to give further evidence to the Enterprise and Learning Committee's inquiry on the economic contribution of higher education in Wales. The publication of the Review of the Higher Education in Wales (henceforth 'the HE Review') on 22 June 2009 is an opportune time to revisit some of the key aspects of the committee's ongoing inquiry. We would wish to refer the committee to the extensive evidence on the overall impact of higher education in Wales contained in previous papers submitted to the committee [i.e. EL(3)-20-08(P2) and EL(3)-12-07(P1)] and the powerful evidence given to the committee by individual universities in Wales and thus do not intend to recapitulate this evidence here. In this paper we wish to look at certain developments since HEW last gave evidence 12 months ago and at how the publication of the HE Review will help shape the debate on how to optimise the economic contribution of universities in Wales.
2. As a result of the Enterprise and Learning Committee's inquiry we have seen an increasing recognition of the role of universities in driving economic growth, something that has been

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<sup>1</sup> Other than turnover figures the statistics in this section relate to 2005/06. The HEW initial evidence to the ELC Inquiry into the Economic Contribution of HE in November 2007 provides more details on these impacts: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=66756&ds=11/2007>.

reflected in the participation of universities in the Assembly Government's recent Wales Economic Summits. The next Wales Economic Summit, taking place on 17 July, will deal specifically with the theme of universities and high level skills. The commissioning of the Task and Finish Group reviewing HE in Wales also came during the committee's evidence gathering and informed its terms of reference.

3. The environment in which HEW submits this further evidence is radically different to when HEW last gave oral evidence to the committee in July 2008. The infamous collapse of Lehman Brothers and the financial crisis it precipitated has led to one of the severest economic downturns for many decades. However, it is likely that China and India will emerge from this global recession in a stronger position than Western Europe or North America.
4. This fact will pose serious policy questions for Western governments as we enter an economic upswing in the next 18 months. Research has pointed to the fact that China and India are not letting up on a radical expansion of their universities and an increasing emphasis on high level skills, noting that the skilled labour supply in China "is now around 40% of that in all OECD countries and that the growth rate of student numbers is much higher than in the OECD"<sup>2</sup>. Enrolment in Chinese universities is projected to hit 30 million in 2010 and it is perhaps the first developing nation to consciously make the development of HE and high level skills a *central* part of its economic development strategy. If anything the global slump has reinforced the necessity for developed nations to come to terms with the challenges and opportunities of globalisation and to plan ahead.
5. Responding to the recession, universities are working closely with the Higher Education Funding Council for Wales (HEFCW) on its £2m Economic Support Initiative (ESI). Universities are proposing a number of projects under the Economic Challenge Fund within the ESI to give specific and targeted support to individuals and businesses affected by the recession. GO Wales's new Graduate Academy programme, which gives valuable support to newly graduated and underemployed graduates, is currently being rolled out across universities in Wales.

#### **THE INTERIM REPORT OF THE ELC COMMITTEE ON HE'S ECONOMIC CONTRIBUTION**

6. The university sector in Wales welcomed the Interim Report of the Enterprise and Learning Committee on the economic contribution of higher education issued in January 2009. The report focuses on some of the key issues for government and universities in helping to enhance the economic performance of Wales. The committee rightly emphasises the need to focus on the issue of adequate investment in HE (paras.11-12) and the need to constantly enhance performance in relation to commercialisation (paras.16-23). Recognition of the work done on embedding entrepreneurship in the HE curriculum (para.47) is most welcome - as are

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<sup>2</sup> 'The Higher Educational Transformation of China and its Global Implications' Li, Yao; Whalley, John; Zhang, Shunming; Zhao, Xiliang, (2008) National Bureau of Economic Research Working Paper 13849, [www.nber.org/papers/w13849](http://www.nber.org/papers/w13849)

passages acknowledging the importance of research and innovation in increasing productivity and the HE sector's work on Continuing Professional Development (para.10 & 31).

7. On ensuring that the economic prosperity generated by HE is distributed fairly across Wales (para.41) some progress has been made in recent years but there is recognition in the sector that more needs to be done (a fact recognised clearly by the HE Review in paras.21-26) alongside our partners in schools and FE. An example of recent progress would be the *University of the Heads of the Valleys* (a project led by the University of Glamorgan and the University of Wales, Newport with the Assembly Government and other partners) which is now close to inception and will receive Assembly financial support for the first time in 2009/10.
8. The committee is right to challenge universities to continually improve its work on knowledge transfer activities and on progression between HE and FE – a point echoed by the HE Review itself. Universities, however, do not currently embed their Third Mission activities in their core strategic plans (contra para.38, Interim Report). Each university in Wales has, for a number of years, had a formal Third Mission Strategy which is a module within the university's overall strategic framework. As the committee witnessed in early 2008 during its inquiry, Third Mission activities are a top priority for each Vice-Chancellor in Wales and each university Senior Management Team has a Pro Vice-Chancellor or equivalent charged with driving forward work inside the institution on economic and social engagement.
9. On paragraph 38 of the Interim Report, committee members may wish to note that plans are advanced for the Research Excellence Framework (the successor system to the Research Assessment Framework or RAE) to include a specific element assessing the economic or social impact of academic research. UK Research Councils also currently demand that all applicants for research grants state the economic and social impacts of their proposed research. In this sense Third Mission work is already being mainstreamed in the wider academic system, though thoroughgoing cultural change is of course evolutionary.

#### **EUROPEAN COMMISSION LED WORK ON UNIVERSITY-BUSINESS COOPERATION**

10. In the period 2008/09 the European Commission has led a significant strand of policy work on university-business co-operation. Vice-Chancellors from Higher Education Wales met with the Education Commissioner, Jan Figuel, and key Commission officials in 2008 to highlight the work conducted in Wales on university-business links. Examples of successful knowledge transfer projects in the Welsh Higher Education sector have fed into the Commission's work and has been reflected in Commission publications (for example the 'Entrepreneurship Champions' located in each university in Wales is cited as a good example<sup>3</sup> of work in this area).

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<sup>3</sup> p.36, Commission Working Document accompanying 'A new partnership for the modernisation of universities: the EU Forum for University Business Dialogue', A Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and The Committee of the Regions (March 2009) COM(2009)158 [http://ec.europa.eu/education/higher-education/doc/business/work\\_en.pdf](http://ec.europa.eu/education/higher-education/doc/business/work_en.pdf)

11. Higher Education Wales and CBI Wales formed the HEW-CBI Wales Strategic Forum in March 2007 to coordinate, at a high level, the response to certain common themes relating to university-business links. The European Commission itself has subsequently formed its own Europe wide University-Business Forum which met in February 2008 for the first time and has formed working groups to consider specific issues. The committee may wish to consider some of this detailed work in looking at its final report<sup>4</sup> and recommendations. It is also worth noting that the year long review led by the (UK) CBI Higher Education Task Force reports in September 2009<sup>5</sup>.

### **WAC REPORTS ON GLOBALISATION AND CROSS BORDER SERVICES**

12. Since summer 2008 we have also seen a series of in depth reports from the House of Commons Welsh Affairs Committee (WAC) that have emphasised the role of HE in creating a knowledge economy in Wales and responding effectively to the challenge of globalisation. The WAC report *Globalisation and its Impact on Wales*<sup>6</sup> (pgs.28-37) highlights the crucial role of HE in Wales and offers a number of useful recommendations on how universities can assist Wales in the new global economy and offers a concise analysis of the challenges we face.
13. The WAC report *Cross Border Provision of Public Services for Wales* (chapters 3 and 4)<sup>7</sup> equally sets out a number of prescient recommendations and contextual material that helps identify how universities in Wales can improve their contribution to the Welsh economy through international student recruitment and accessing UK and international research and innovation funding more effectively.

### **THE HE REVIEW'S VIEW OF THE ECONOMIC ROLE OF UNIVERSITIES IN WALES**

14. For the time being the debate in Wales in relation to the economic role of universities in Wales is likely to centre on the content of the HE Review in Wales issued on 22 June 2009 and the Assembly Education Minister's response to it on 23 June 2009. Higher Education Wales has welcomed the report as an ambitious and challenging document that should be the basis of a renewed policy framework for HE in the years to come.
15. Many of the lower level policy implications of the HE Review will be worked up into an Action Plan that will be issued in autumn 2009. HEW is keen to work with the Assembly Government and HEFCW to take work on the Action Plan forward. The role of higher education as an economic driver for Wales must be a central part of this Action Plan. The proposed partnership or 'Compact' approach outlined in the report (para.60) and the Minister's response on 23 June is a productive way to help turn the vision of the report into reality for the benefit of the people of Wales.

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<sup>4</sup> See the Commission Working documents above.

<sup>5</sup> See: <http://highereducation.cbi.org.uk/task-force/>

<sup>6</sup> Issued in January 2009, Volume I, HC184-I.

<sup>7</sup> Issued in December 2008, HC 57.

16. The pivotal argument of the HE Review is that “*higher education needs to be explicitly repositioned in our national priorities from now on*” (para.102) and that Wales’s “*ability to capitalise on the potential of higher education rests on our ability to compete economically, and fulfil our potential as a young devolved county with high ambitions*” (para. 101). The aspirations and recommendations in the report flow from these central points stated in the conclusion of the report.
17. The HE Review points to several ways in which the universities can help transform the Welsh economy. Passages referring to the need to improve higher level skills (paras.37-42), research (32-34), the employability of graduates (43-45), and knowledge transfer (35-36), all helpfully state the position as it stands and outlines areas for further work and future action.
18. We note that the HE Review also links the degree of success in some of these areas with the magnitude of future investment from the Assembly Government (see section 6). HEW welcomes the commitment of the Assembly Government to investment in HE following the submission of the Phase 1 Report of the HE Review Group. Committee members will note, however, that the cumulative investment gap between the HE sectors in Wales and England reached aggregate level of at least a quarter of a billion pounds in the period 2003/04 to 2006/07<sup>8</sup> alone. We would hope that the committee would continue to recommend that investment in universities be a priority for the Assembly Government and that the £31m resource earmarked for universities by 2014/15 be treated as truly *additional* investment in the sector.

## **CONCLUSION**

19. HEW looks forward to the publication of the Enterprise and Learning Committee’s final report and expects that the report will shape the policy landscape in Wales in the wake of the HE Review. It is to be firmly hoped that the recommendations of the final committee report could be included relevantly in the work on the HE Action Plan, due for completion in late 2009. The committee inquiry has proved to be highly valuable in highlighting the pivotal role of universities in helping transform the economic landscape of Wales at a time of accelerating globalisation. As the HE Review comprehensively recounts, the work of universities will be essential if Wales is to become not only more prosperous, but also socially just and culturally self confident. We look to the committee’s report to help map the path ahead.

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<sup>8</sup> Based on the estimated mid points of the HE investment gap each year based on HEFCW Funding Gap Reports relating to 2003/04 to 2006/07.