

Universities Wales response to the UK Parliament call for evidence; the Welsh economy and Covid-19.

Summary

- The Welsh higher education sector faces large scale financial challenges as a result of the impact of Covid-19 . The Office for Budget Responsibility forecasts that education, and in particular universities, will be among the worst affected by the impact of Covid-19.
- To preserve the sector, and the benefits universities bring to Wales, it is vital that a full package of support is developed by the UK and devolved governments. If research and innovation infrastructure in Wales is not preserved, it could take decades to rebuild what is lost and the associated benefits for Wales.
- This term alone it is estimated that Welsh universities could lose £35m in accommodation, catering and conferences income. It is estimated that a 50% reduction in international student recruitment would represent a loss of over £88 million for Welsh universities, approximately 6% of the total income of the sector. A further 20% reduction in home recruitment or deferrals will causes losses of over £65 million, around 4% of total sector income.
- Universities are key economic contributors to Wales, generating £5 billion of impact and supporting over 50,000 jobs in Wales. Damaging impact to this output will have a knock-on effect on local, regional and the national Welsh economy.
- Wales has a particularly strong research and innovation sector which is world leading in many areas. Damage to Welsh research and innovation would put Wales in a significantly weaker position going forward, particularly given the challenges and opportunities of navigating a new relationship with the European Union and other global partners.
- Universities are making the most of existing government support schemes, but these have not proven straightforward and their eligibility criteria is not necessarily reflective of the diverse and complex make up of universities' staff structures and funding mechanisms.
- Loans may help short term cash-flow issues, but are ultimately repayable and are therefore not an answer to the major financial instability posed by Covid-19.
- Universities are playing a significant part in the national effort against Covid-19. From manufacturing PPE for the NHS, offering up laboratory space for testing or undertaking vital research. Universities will also form a key part of the national recovery effort, helping to upskill and reskill the workforce for a post-Covid economy.

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- 1. Does there need to be a UK-wide progressive lifting of restrictions or will Wales need its own plan for easing the constraints on business and the public?**

The priority of both UK and Welsh government should be the health and safety of the population. Safety restrictions should only be lifted if scientific evidence clearly demonstrates that it is the right option for the locality or region. We understand that means measures may differ in locations across the UK in response under further outbreaks, with targeted suppression and lift strategies.

Looking ahead, given the large numbers of students who are mobile across the UK, it would make sense for all UK governments to agree protocol on arrangements for them, where possible.

- 2. Would there be any benefits from Wales having its own plan for easing lockdown restrictions, separate from the rest of the UK and how feasible would it be to have such a plan?**

See above.

- 3. What additional flexibility is needed to support seasonal industries, such as tourism and agriculture, during the pandemic?**

We believe a hardship fund for students unable to work in those industries could help to mitigate against some of the issues faced. Universities will also face loss of income for summer activities, such as accommodation, catering and conferencing which will be impacted by Covid-19.

- 4. What additional financial support does the Welsh economy require in order to survive during the pandemic and to recover afterwards?**

Preserving Wales's higher education sector will be key part of the nation's response to the challenges faced by the Welsh economy in recovery from COVID-19. Failure to do so would have a significant impact on communities and businesses across the nation, including the foundational economy.

We know that Welsh universities are proportionately more important to regional economies and the Welsh economy than counterparts in other UK nations, generating [£5bn of impact and over 50,000 jobs in Wales](#). Universities in Wales generated over £544 million of export earnings in 2015/16, which is equivalent to over 4% of all Welsh export earnings.

The scale of the challenges facing the UK's higher education sector will require more close working between the Welsh and UK governments. Welsh universities will be a crucial part of Wales' recovery from the pandemic both economically and socially. Additional financial support will be needed to preserve the sector at this time.

It is estimated that a 50% reduction in international students would represent a loss of over £88m, or around 6% of the sector's income in Wales. Similarly, a 20% reduction in recruitment of undergraduate students (via deferrals or non-applications) could lead to a loss of over £65m, or around 4% of the sector's income. None of the aforementioned figures account for the added economic value of UK students to their local and regional economies or non-UK students to the UK economy. It is important to note that these figures only represent a small part of the total anticipated impact and we are still at an early point within the crisis.

Universities Wales has contributed to UUK's proposals to the UK Government around a financial support packages for the UK's higher education sector. In addition to this, we have been working closely with members, HEFCW and the Welsh Government to convey the need for support.

The UK Government's announcements on Monday 4 May, must be a first step. More needs be done from a UK level to support higher education – as higher education will be an integral part of the recovery from Coronavirus. Indeed, matters are becoming urgent.

Reskilling and upskilling the workforce will be a fundamental contribution going forward. Welsh universities and counterparts across the UK are aware of this and are already working together to position the sector in supporting recent graduates entering the labour market. New and innovative approaches will be required to support "levelling up" across the UK.

The Scottish Government recently announced an additional £75 million in university research funding to help mitigate the financial effects of Covid 19. The measures are designed to replace lost research income, protect research jobs and help universities focus on the national effort, combatting coronavirus. The announcement emphasised that this is only part of their approach and calls on the UK Government to work to prepare a UK-wide package – which is a message we would support.

5. How effectively are the UK and Welsh Governments working together in ensuring sufficient support is provided to the Welsh economy during, and after, the pandemic?

We understand that a number of meetings have been held between Welsh Government Ministers and their UK Government counterparts. We would anticipate and expect close working moving forward to ensure sufficient support is provided to the Welsh economy during and after the pandemic.

As reiterated by UUK, a UK-wide approach will be needed to support universities in Wales.

6. What additional financial powers and budgetary flexibility should be provided to the Welsh Government in response to the pandemic?

The Barnett formula simply isn't designed to provide funding in support of the emergency situation we face, as demonstrated by the Wales Governance Centre's report on [Covid-19 and the Welsh Government Budget](#). A means of providing short term, emergency funding to the Welsh Government will be needed.

There may be benefits to the UK Government enabling greater fiscal flexibility, in particular, greater access to the Wales Reserve this year, relaxation of borrowing limits and greater scope to switch between revenue and capital budgets.

7. What support is needed from the banking sector to support businesses and organisations during the pandemic and the reconstruction period that will follow?

Universities are in active discussions with lenders and are not aware of any immediate systemic issues. Welsh universities have significant borrowings, however, are not commercial entities but registered charities and have a duty of care to protect and use their assets for charitable purposes.

Loans may help universities with short term cashflow issues, however loans are ultimately repayable and are therefore not the answer to a major threat to financial instability for many universities in Wales.

Additionally, universities are still waiting to discover the future relationship between the UK and the EU due to their relationships with the European Investment Bank and the impact a new relationship may have.

8. What support do key sections of the population, including the elderly and the newly unemployed, need from the UK and Welsh Governments during and after the pandemic?

Reskilling and upskilling of the workforce will be a crucial role in social and economic recovery. Universities are very well placed to lead in this area and in fact The Open University in Wales is already [offering training to furloughed workers](#).

Universities UK has convened a working group which Universities Wales contributes to, looking at how universities can support recent graduates and future graduates during the economic disruption caused by Covid-19. The work is at an early stage but the group is already exploring a number of key areas that universities can action immediately and those that could be undertaken with increased resource.

Welsh universities continue to focus on their civic contribution and already play a role in supporting the elderly and other members of society who have been disproportionately impacted by Covid-19. [UWTSD](#) have been working with elderly members of their local communities, helping to tackle sedentary lifestyles and help promote a more positive health and wellbeing which is research driven. [Aberystwyth University](#) has also been assisting elderly members of society, conducting research showing the levels of abuse among people over 66 and campaigning for reform to address this within wider society.

Universities in Wales are well placed both geographically and strategically to be leaders in supporting key sections of the population during and after the coronavirus crisis. We know that in Wales, universities play a disproportionately more important role in local economies and are anchors in their communities. There is an extensive bank of existing knowledge and a willingness to help within Welsh institutions and with the support of UK and Welsh Government, universities can be key contributors in these areas going forward.

9. What work can be done to make the Welsh economy more resilient in the face of future crises and potential outbreaks of Covid-19 and other pandemics?

Even before the disruption caused by Covid-19, there were a number of challenges on the horizon for the Welsh economy and steps that can be taken to better position Wales to respond.

[Technological advancement and automation](#) are set to have a significant impact on the number of jobs globally, shrinking employment opportunities within a range of areas but in particular lower skilled levels of employment. Wales stands to be disproportionately affected by these developments due to having a proportionately lower skills level among the population than other UK nations. Universities can form a key part of the upskilling effort, in line with suggestions from the Diamond Review – particularly using flexible and part time delivery methods.

The Welsh economy has also benefitted heavily from EU funding via a range of mechanisms and programmes. Universities have been central to much of the leading and delivery of this work, driving benefits in their local communities, regions and nationally. It will be vital to the Welsh economy after the transition period ends in 2020, that Wales continues to receive the same level of support.

Welsh universities generate £5bn of economic impact and over 50,000 jobs. They are [world leading in research](#), with nearly half of the research submitted to REF classified as world leading and impacting over 100 countries across the world. Existing research links drive growth in Wales and abroad, with over 2800 international collaborative links between Wales and over 70 other countries and nearly 1700 non-UK organisations via Horizon 2020 alone.

A [Government Office for Science report](#) recently highlighted a direct link between the skills level of a country and economic growth, productivity improvement, competitiveness and innovation. Estimates typically attribute 20% of the UK's economic [growth in recent decades to improved workforce skills](#) and countries with high levels of innovation tend to have a stronger track record on investment in higher education. Continued investment in higher education will help to make the Welsh economy stronger, more resilient and more productive to aid recovery from Covid-19 and position Wales strongly in future.

10. How will supply chains need to evolve after this pandemic and how can the two governments work together to support these changes?

Universities are key players in business supply chains and a key driver of business location decisions. Access to high levels of skills, including PhD's increasingly matter, as does access to research and innovation facilities.

Universities themselves create supply and demand including crucially through student spend in the foundational economy. In the short term, disruption to demand in respect of university activity will cause issues for universities and their localities.

11. What lessons can be learnt from the pandemic and from the response of other countries for the future of the Welsh economy?

The Scottish Government's announcement of a [one-off £75m funding increase](#) for Scottish universities shows good practice within the UK. The package is meant to support universities in the short term with the financial impact of Covid-19, securing jobs and protecting research, recognising the need for universities to be in a strong position to play their part in economic recovery.