

# Enterprise and Learning Committee

EL(3) 20-08 (p1) : 10 July 2008

## The Economic Contribution of Higher Education - Supplementary Submission (June 2008) From the Higher Education Funding Council For Wales (HEFCW)

1 This submission responds to correspondence with the Committee Clerk inviting HEFCW to give further oral evidence on 10 July 2008, and to provide written views on aspects of the evidence which the Committee has received thus far.

2 HEFCW has followed the progress of the inquiry closely. The evidence taken has been wide-ranging and detailed, and has raised many challenges. In this note we are able to comment on only a few of the issues raised.

3 In our initial evidence, we suggested that higher education institutions (HEIs) contribute to the economy in three main ways:

(i) as employers, and consumers of goods and services (like any other organisation);

(ii) through provision of skilled people;

(iii) through the application of knowledge.

4 A number of witnesses presented evidence in similar terms, thus reinforcing the evidential base for the breadth of the contribution made by higher education. In responding to the accumulated evidence, we propose to concentrate on areas (ii) and (iii) above - provision of skilled people, and the application of knowledge.

5 Before doing so, however, we wish to emphasise three messages that come through much of the evidence received, and to add a fourth preliminary point:

(i) HEIs are only one type of contributor to the economic development of Wales. In our view, what is needed is coherent promotion of an innovation system in Wales that integrates what HE can contribute with that of other key partners in both the private and public sector, including schools, FE colleges, businesses and other employers, and a wide range of Assembly Government Departments and Sponsored Bodies. As Coleg Menai's evidence observed "Linking education, training, research, enterprise and the economy is the only way forward".

(ii) It is important not to take too narrow of view of what might count as 'economic contribution'. A more inclusive, more cohesive, and more confident society is likely also to be more economically successful. In this regard, we welcome the commitment by the Ministers for Children, Education, Lifelong and Learning and Skills and for the Economy and Transport in their evidence to the Committee on 16 April to "maximising the cultural and social benefits of ... HEIs, particularly in widening participation, enhancing community life, and strengthening the Welsh language". The forthcoming annual UK-wide "HE Business and Community Interaction Survey" (HEBCIS) will also show that support for community development ranks high on the list of priorities for HEIs in Wales.

(iii) There are significant differences in the policy context within which HE operates in Wales compared with the rest of the UK. This is of particular importance when considering evidence from UK-wide bodies that lack significant Wales-based operations. For example, the experience of Sector Skills Councils (SSCs) frequently differs in Wales from elsewhere. Wales is one of only two UK regional development agency (RDA) regions where its HEIs are engaged with all 25 SSCs, resulting in a number of UK-leading collaborations, such as the "Food Industry Skills Project" involving Improve, and the wide-ranging involvement of SSCs in the high level skills projects and consortia for industrial training established via the Assembly Government's Knowledge Exploitation Fund, numerous examples of which have been provided in the evidence from SSCs.

(iv) In this respect too, it is important to be alert to the potential impact of the establishment in Whitehall of the new Department for Innovation, Universities and Skills (DIUS). The establishment of this new department sharpens considerably, in a welcome way, the focus on innovation across the entire UK, and also the attention given to universities within government in England. However, the nature of this organisational development means that there is likely to be an inclination to seek to pull more closely together the UK-wide dimensions of DIUS's work (principally through the Research Councils and the Technology Strategy Board) and the England-only dimensions (principally, for this discussion, the Higher Education Funding Council for England (HEFCE)). Whilst this would be understandable, from the perspective of the devolved nations of the UK it also presents a potential risk. This is that the desire for greater strategic coherence might take insufficient account of the diversity of agendas across the UK, and so result in a too "England-oriented" focus for the 'UK-facing' aspects of the work of DIUS. This is a risk that will require sensitive handling by all parties. In this regard, we welcome the reassertion of the value of the dual support system in the March 2008 DIUS white paper, "Innovation Nation", with its reference to how the two arms of the system "combine to drive excellence in the research base with flexibility to respond to changes and opportunities" (para.5.13). What is important, from a devolved perspective, is to maintain the UK-wide focus of the Research Council arm.

### Skilled People

6 The capacity of HEIs to turn out skilled people depends upon the quality of HE provision. We strongly agree with those who have identified maintaining the quality of HE provision in Wales as of critical importance, whatever the mode of delivery and the level of attainment sought. This depends in the long run upon the level of core funding available, which provides the foundation upon which

institutions operate, and in turn provides the basis for them to enter the marketplace and supply the direct needs of businesses and other employers through, for example, continuing professional development (CPD), provision in the workplace, and so on. While the precise level of funding to be made available from the public purse will, of course, always be a matter of priorities, without a UK-competitive core level of investment, HE in Wales would be unable to deliver its full potential. We have reported for the past three years on our analysis of funding of Welsh HE relative to the rest of the UK, and we welcome the plan for a task and finish group to address the future of higher education in Wales.

7 On some of the specific points addressed by other witnesses to the inquiry, we wish to comment on the following:

### **Science, technology, engineering and mathematics (STEM) subjects**

8 Amongst others, the CBI voiced employer concerns about the numbers of young people graduating with degrees in STEM subjects. Although our own analysis shows this issue to be less acute in Wales than in other parts of the UK, we are:

Working with HEFCE to monitor across the UK the evolving situation with these subjects;

Working with HEFCE's STEM Steering Group, which engages with the Royal Academy of Engineering, Royal Society of Chemistry, Institute of Physics, and Institute of Mathematics, and through which we are contributing £375k pa for STEM subject support in Wales in 2007/08 and 2008/9;

Linking from August 2009 more formally into the National Programme for STEM currently under development by the STEM Steering Group.

### **Foundation Degrees (FDs)**

9 SkillsActive, the SSC for Active Leisure and Learning, was among numerous respondents to support the development of FDs in Wales. In our response to the Assembly Government's "Skills That Work for Wales" consultation, we have already proposed a clear steer towards expanding FDs in Wales. We would welcome:

linkage to Action 130 in the "One Wales Delivery Plan" with its reference to a range of new employer-led FDs - in itself a vehicle for enhancing HE-business interactions;

the development of FDs throughout 2008/ 2009 by consortia involving HE, FE and business partners, with a view to making them available to students in 2009/10 and beyond (as also mooted in Action 130);

the means to make this real via additional recurrent funding for FD student numbers.

### **Employer engagement**

10 The evidence received shows how all HEIs engage actively with employers (and in that sense, are "business facing" in the language of the Sainsbury report). However, HEIs engage in different ways according to their missions, subject mix, and local economic circumstances. Variety is the key feature of this engagement, and it will be important not to lose that variety as we seek to deepen the relations between HEIs and employers.

11 It will also be important, through careful dialogue and partnership with employers, to strike sensible balances between trying to turn out graduates who are 'oven ready' for particular current jobs and developing skills that will enable employers to innovate in the face of future economic and policy challenges. As was remarked by the chief executive of a knowledge-based company, quoted by Dr Marilyn Wedgwood in her 2008 report Higher Education Workforce: Barriers and Facilitators to Employer Engagement (DIUS Research Report 08 04), "Occupational skills turn my business over, intellectual skills move my business on".

12 HEFCW currently supports HEIs in Wales to deepen employer links through:

Use of part of the £6.1 million annual Third Mission (3M) funding to support over 20 business development posts (not counting other posts in technology transfer and enterprise/entrepreneurship);

Funding a collaborative three year Strategic Insight Programme, which enables staff in the four participating institutions to undertake secondments with public and private sector employers to promote mutual understanding and build more fruitful relationships;

Use of £2 million annually of the £6.4 million per annum granted over the next three academic years following the Graham Review of part-time students to promote employer links in the context of part-time study;

Our GO Wales initiative for which, since our last appearance before the Committee, we have been invited by WEFO to submit a business plan for further European funding;

Support for a feasibility study for an All-Wales Centre for Workforce Development. An Advisory Board is now established, and work has begun on the validation of FDs. The number of participants across Wales continues to grow.

Our Reaching Wider partnerships which also help promote engagement between HEIs and employers, including through the medium of Welsh and often in partnership with the FE sector. For example, a report commissioned by the North Wales Reaching Wider Partnership to ascertain future local potential post-16 education and training needs is now being used in discussions with SSCs about future working

relationships.

## **International Dimensions**

13 The globalisation of economic activity in general, and the skilled labour market in particular, means that Wales must avoid becoming marginalised relative to the important changes that are occurring under the Lisbon and Bologna agendas. Recent Bologna developments focus on the currency of higher level qualifications for a mobile, well educated workforce across Europe, and beyond. According to the UK HE Europe Unit's survey of engagement with the Bologna Process, Welsh HEIs are well positioned over Europeanisation of higher level skills training. However, Wales lags the rest of the UK in terms of the numbers of students choosing to study abroad under ERASMUS. There is also a developing trend across the UK of students preferring to undertake overseas work placements in Anglophone countries. But HEFCW is involved in preliminary plans to develop the first UK Erasmus Placement Consortium and has fed this idea into initial discussions with the Centre for Information on Language Teaching and Research (CILT) regarding a refresh of the Assembly Government's "Languages Count "Strategy.

## **Application Of Knowledge**

14 Before knowledge can be applied, it must be created. This is the process of research. Our earlier comments about a competitive funding base apply equally in this respect, and have been echoed in evidence from others. Achieving the Reaching Higher target of increasing the percentage of UK-wide Research Council income won by Wales to 4.5% means running faster than the rest of the UK in order to catch up. This cannot be done without adequate core funding, albeit, and importantly, combined with restructuring of the Welsh research base in order to build teams of appropriate scale and scope for modern conditions. This becomes a question of growing importance as we approach the outcomes of the 2008 Research Assessment Exercise (RAE), and we say a little more below about collaborative developments.

15 May we note that it is easy, as some witnesses have done, to use the RAE as a scapegoat for problems faced by individual researchers or departments over the funding allocated to them from their institution's block grant, or their capacity to engage with potential users of their research.

16 Of course, no method of assessment is perfect. The RAE has evolved considerably over the years in the light of experience, and continues to do so. But we would also observe that we remain committed to funding only the very best research (since nothing less will serve the needs of Wales). This implies selectivity and therefore a method of assessing research quality. Many of the claims made about alleged detrimental consequences of the RAE (eg, in respect of barriers to interdisciplinarity, or to applied research) are not supported by evidence, and sometimes turn upon a confusion between the discovery of new knowledge (research) and the application of existing knowledge to new circumstances. The latter is important, but it is different from research, and its funding comes via the Third Mission, not research, route.

17 It is also worth noting that, for all the criticism, the UK research base remains the second strongest in the world, behind only the USA as evidenced by the volume of publications produced and share of world citations (a measure of impact). The incentive provided by the RAE, coupled with the strategy of funding research selectively to reward excellence (including in terms of impact), can reasonably be assumed to have contributed to this strong position.

## **Knowledge Exchange and Commercialisation**

18 The Committee has heard many examples of Welsh HEIs' activity in this area and how Wales out-performs other regions of the UK in key areas - particularly in relation to hard-to-reach SMEs, which figure so prominently in the Welsh economy. For example, 2005/06 HEBICIS data show that Wales accounts for almost 9% of UK income from consultancy contracts and nearly 8% of CPD involving SMEs.

19 The 2006/07 HEBICIS is due to be published this month. It will once more reflect well on Wales. For example, we expect confirmation of a continuing increase in income from collaborative research with industry and an increasing strategic commitment to this agenda on the part of Welsh HEIs.

20 The Committee has also received evidence of substantial partnership working by some HEIs with businesses and others. Some further examples include:

Cardiff University's 10 year £25 million agreement with Biofusion to provide a ring-fenced fund to invest in companies spun out from the university's research base;

Alliance Boots' investment in Swansea University's Institute of Life Sciences to establish a Boots Centre for Innovation to develop products in a range of areas;

At Glamorgan University, the project management role played by the Centre for Engineering, Research and Environmental Application (CEREA) on contracts to the value of £12 million designed to promote social regeneration through built environment projects with clients such as Caerphilly and Rhondda Cynon Taff Councils.

21 However, still more needs to be done. For example, since the Ministers for Children, Education, Lifelong Learning and Skills and for Economy and Transport confirmed to the Committee their intention to implement the Gibson Review, steps have already been taken towards piloting the first Commercialisation Panel, at the University of Wales, Newport, and we are supporting officials to make further progress.

22 We have also been assisting DE&T officials to process initial applications for funding under the "Academia for Business" (A4B) project, announced by the two Ministers in April as the first to be approved in the new round of structural funds. The two programmes within A4B, "Knowledge Exploitation Capacity Development" and "Knowledge Transfer and Industrial Research", themselves reflect the Gibson recommendations as well as building upon the legacy of the Assembly Government's Knowledge Exploitation Fund (KEF), which ends in July 2008. The latter will be welcomed by those witnesses, like SEMTA, who have testified to the Committee about the importance of continuing KEF-related activity. We also welcome it because of the importance we attach to the complementarity between the dual funding streams provided by our Third Mission Fund and A4B.

## **Collaboration**

23 Given the competitive funding environment, however, it remains important to encourage Welsh HEIs to build capacity for research and knowledge exchange collaboratively, to ensure sufficient scale and scope. We are already supporting:

major research initiatives such as the Aberystwyth-Bangor Research and Enterprise Partnership and (subject to resolution of final details) the Institute of Biological, Environmental and Rural Sciences, the Low Carbon Research Institute, the Wales Institute of Mathematical and Computational Sciences, the Wales Institute of Cognitive Neuroscience, and, at Bangor, with the Economic and Social Research Council, the Centre for Research on Bilingualism in Theory and Practice;

the establishment of the Dragon Innovation Partnership, bringing together the third mission activities of Swansea University, Swansea Metropolitan University and Trinity College Carmarthen so as to enhance their impact on economic and social development in South West Wales in particular, as well as Wales and beyond more generally; and other collaborative third mission activities that are taking place across Wales (often with FE and business sector partners as well).

24 In addition, and separately from HEFCW, the sector is currently pursuing, collaboratively, European Structural Funds to support, for example, foundation degrees, work based learning, Knowledge Economy Skills Scholarships, and SPEED Cymru (a placement programme aimed at future entrepreneurs and increasing the flow of new knowledge based companies into the Welsh economy).

25 That said, we also note the observations from some business witnesses, and in the Gibson Review, about difficulties in communicating with HEIs. We note in particular views expressed that some HEIs' websites (because they are inevitably geared to their main income-generating business, which is students) are less friendly to businesses. We will seek to address this through, for example, our GO Wales initiative and other established networks such as the HEI-SSCs Communications Group established by HEFCW and the then Sector Skills Development Agency (SSDA). Following the demise of the SSDA in the wake of the Leitch Review, HEFCW intends to continue facilitating this Group, which was set up with the aim of supporting a strategic structured engagement between HEIs and SSCs in Wales in pursuit of Welsh Assembly Government policies and strategies.

## **Conclusion**

26 We trust that this note, together with our original submission, is helpful to the Committee in forming not only a rounded view of how and what HEIs in Wales are already contributing to the economy, but also in identifying the potential to develop this contribution still further in future. We remain at the disposal of the Committee for work on this subject.