

## **2 INTRODUCTION**

This report presents the findings of an economic impact study of the University of Oxford in the academic year 2014/15, undertaken by BiGGAR Economics.

### **2.1 Approach**

The key objective of this study is to describe and, where possible, quantify the contribution that the University of Oxford makes to the local, regional and UK economies. Throughout this study, the contribution of the University of Oxford was considered as a collegiate university and therefore includes the contribution of Oxford University Press, the University's Colleges and other associated organisations such as its Science Parks.

Quantifiable economic effects were assessed using two widely accepted measures of economic impact:

- Gross Value Added (GVA), which measures the monetary contribution that an organisation adds to the economy through its operations; and
- employment, which is measured in terms of total jobs supported unless stated otherwise.

#### **2.1.1 Study Areas**

This study considers the economic contribution that the University of Oxford makes to:

- Oxford City – the area covered by Oxford City Council;
- Oxfordshire – the area covered by the Oxfordshire LEP; and
- the UK as a whole.

Throughout the report the economic contribution within Oxfordshire includes the contribution in the Oxford City area and the UK contribution includes the contribution in Oxfordshire.

#### **2.1.2 Methodology**

The starting point for assessing each source of impact was the scale of activity undertaken (e.g. the number of additional tourists or the value of University expenditure on supplies). Data on the scale and location of activity was sourced directly from the University where possible.

In many cases it was necessary to supplement this data with assumptions to help quantify the value of each type of activity (e.g. the average expenditure of different types of tourists or data on student cost of living). Where this data was not available directly from the University appropriate assumptions were made based on BiGGAR Economics' previous experience of comparable institutions elsewhere in the UK and/or other relevant research findings. The various sources used are specified in the appropriate sections of the report.

Each area of impact makes a direct and an indirect contribution to the economy. The direct contribution was estimated by applying turnover/GVA and turnover/employee ratios for appropriate sectors of the UK economy to the total

value of expenditure associated with each source of impact. These ratios were obtained from the UK Annual Business Survey.<sup>1</sup>

Each area of activity also generates indirect and induced contributions further down the supply chain. These contributions arise as a result of purchases made by the businesses that benefit directly from expenditure by the University (and its students and staff) or by the staff employed by these businesses. These effects were captured by applying appropriate GVA and employment multipliers.

These multipliers were based on the Type 2 multipliers published in the Scottish Government's Input-Output tables<sup>2</sup>. The Scottish multipliers were adapted for each of the study areas to reflect the comparative size of the economy in each area. This source was used because it is more up to date than equivalent information published about the UK economy as a whole and because it also provides multipliers for different sectors.

The methodology used to estimate the economic contribution of the University of Oxford is described in full detail in the Supplementary Methodological Appendix which accompanies this report.

### **2.1.3 Wider Value to Society**

This study quantifies the economic contribution that the University of Oxford makes, using two widely accepted measures of economic impact: GVA and jobs. One of the reasons these measures are so widely used is that they provide a convenient way of capturing the entire economic contribution of an organisation in a single number. While the appeal of such measures is easy to understand they do suffer from some important limitations because:

- the data for monetisation of many of the benefits is at an early stage of research;
- even if it was possible to quantify all of the benefits of the University of Oxford, monetary value does not capture aspects such as quality, culture or equality and cannot reflect the wider value to society of different types of activity;
- monetary value is static providing only a snapshot in time of the University of Oxford's activities. The University of Oxford is engaged in a wide range of world-leading research that will ultimately provide the foundations for the technologies and processes upon which entirely new economic sectors will be based. Developing such technologies is fundamental to long-term economic competitiveness and growth but involves considerable time lags of the sort that are difficult to account for using traditional approaches to economic impact analysis;
- it is not always possible to estimate the value of the University of Oxford's contribution to impacts that have been generated as a result of collaborative effort between multiple partners; and
- the value of the University of Oxford is more than economic value. Universities make important contributions to other socially valuable outcomes, such as improving social cohesion, facilitating social mobility, encouraging greater civic engagement, contributing to the arts and culture and the propagation of knowledge in general. The value of these outcomes to the individuals affected and society as a whole simply cannot be quantified.

---

<sup>1</sup> ONS (2016), UK Annual Business Survey 2014 Revised Results

<sup>2</sup> Scottish Government (2016), Input-Output Tables 2013

The quantitative economic contributions described in this report are therefore a significant underestimate of the University of Oxford's impact. For these reasons this assessment also highlights examples of the wider impacts of the University of Oxford both to individuals and communities at the local and regional level as well as its global contribution.

## **2.2 Report Structure**

The remainder of this report is structured as follows:

- chapter 3 discusses the role of universities as drivers of economic growth and the various ways in which they impact the economy;
- chapter 4 describes the University of Oxford as well as the economic context in which the University operates;
- chapter 5 quantifies the economic contribution of the University's core activities including direct employment, the turnover it generates, expenditure on supplies, staff spending and expenditure on capital projects;
- chapter 6 illustrates how the University's students contribute to the economy through their spending, part-time work and volunteering with local organisations;
- chapter 7 outlines how the University's teaching supports greater productivity in the economy through its skilled graduates and their increased earnings potential;
- chapter 8 describes the commercialisation activities of Oxford University Innovation, including its spin-out companies and licensing of intellectual property;
- chapter 9 discusses the ways in which the University of Oxford supports entrepreneurship;
- chapter 10 discusses how the University of Oxford supports knowledge transfer through its interactions with businesses;
- chapter 11 quantifies the economic contribution that the University of Oxford's Science Parks make to each of the study areas;
- chapter 12 discusses the activities of Oxford University Press, the publishing department of the University;
- chapter 13 describes how the University contributes to the health sector from the returns to medical research undertaken at the University;
- chapter 14 considers the economic benefits of the University's vital role in underpinning the local tourism economy and supporting cultural activities;
- chapter 15 highlights examples of the University of Oxford's global influence and impact; and
- chapter 16 summarises the quantitative contribution of the University of Oxford and places this in context.