

# Embedding Universities in Knowledge Cities

the work foundation



*An Ideopolis and Knowledge Economy Programme paper*

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## 1. Executive summary

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The contribution of universities to regional and local economies is not a new phenomenon. For centuries, universities have had a deep and dynamic relationship with the economic, social and cultural life of the cities in which they are based. As the UK makes the shift towards an economy that is more reliant on knowledge, innovation and skills, however, national policy makers are placing increasing emphasis on capturing, building on and incentivising a stronger relationship between universities and cities.

Universities are seen as vital in a more knowledge intensive economy both as creators and consumers of knowledge. As creators of knowledge, universities make a significant contribution to the 'intangible assets' – knowledge, skills and innovation – that have become the source of comparative advantage for thriving businesses across all sectors in the economy. Universities also consume knowledge through demanding highly skilled workers as part of the education sector, which joins high and medium tech manufacturing, high tech services (communications, computer services and R&D), financial services, business services and health services in the OECD definition of knowledge intensive industries. Education provides nearly a quarter (24 per cent) of all employment in 'knowledge intensive industries' and jobs in education increased by 46 per cent between 1985 and 2005<sup>1</sup>. As institutions primarily based in cities, these assets mean that universities make a significant contribution to the ideas, 'buzz', creativity and highly skilled jobs in places as diverse as Oxford, Manchester, Southampton and Bradford.

As a result the city-university relationship is seen as pivotal to helping places across the UK adapt to changes in the wider economy, increase the proportion of knowledge intensive jobs and workers, and deliver beneficial outcomes for communities. The announcement earlier this year of the 'new university challenge' by the Department of Innovation, Universities and Skills is an example of this desire to spread the 'power of higher education' across England. Yet the growing emphasis on the vital role of universities in helping cities adapt to, and thrive in, the changing economy not only creates new challenges and opportunities for both parties. It also raises growing questions about how universities and cities can best work together to secure economic, social and intellectual benefits.

These questions are particularly relevant in the current downturn when most sectors are feeling the pinch of a credit crunch and a contraction in consumer and business spending. Sir Michael Parkinson identified five sectors as key to cities' growth during the past ten years: retail, construction, leisure, financial services and higher education. Of these five,

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<sup>1</sup> Source: The Work Foundation's Knowledge Economy programme, analysis of EU KLEMS database

only higher education is likely to be relatively unaffected by the challenges hitting the global economy and so it will be a vital source of employment. It is also a potential stimulus of economic growth: The Work Foundation's *Ideopolis* research has shown that universities have benefited cities such as Sheffield and Newcastle in adapting to a more knowledge intensive economy<sup>2</sup>. Both for successful cities likely to experience job losses and for struggling cities likely to find it even harder to increase their productivity now, universities provide an opportunity to grow productivity, develop skills and stimulate ideas, as well as to work more closely with the local community.

This research report, based on a literature review, interviews, and case studies of Birmingham, Brighton, Leeds and Norwich (the case studies were carried out before the changes in the economic climate), aimed to investigate these questions about how relationships between different cities and different institutions are working at the moment, and where there are opportunities for both to gain from partnership working. Our work found that although both universities and cities recognise the potential that universities have to contribute locally and regionally as well as globally, most higher education institutions and local authorities remain less clear about how best to work together to mutual benefit.

Our research highlighted that there are many activities in which education institutions can engage at the city level to impact on the economy and that these activities are frequently prioritised in local economic development strategies and in the strategic direction of institutions. These activities aim to support cities and education institutions to respond to their changing priorities in a more knowledge intensive economy. For example, in Birmingham, Aston University works hard to place students in local businesses to ensure that students learn and that the businesses benefit from graduate expertise and innovation. The overwhelming majority of work placement students get jobs in their host companies. In Norwich, the Vice Chancellor of the University, the Principals of the Further Education colleges and the managers all meet to talk about opportunities for collaboration to address economic and education issues such as the growth of high value jobs. In Brighton, Sussex Innovation Centre, working very closely with Sussex University and located on the campus, provides facilities and business incubation for over 70 companies. And in Leeds the internationally acclaimed University of Leeds' Institute of Transport Studies worked with the council on a consultancy basis to help address the congestion and poor transport infrastructure challenges that Leeds is facing. There are many more examples that can be cited and from which universities and cities can learn.

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<sup>2</sup> Clayton, N. (2008) *Enterprise priorities to enterprise powerhouses: the public sector in the knowledge economy*, The Work Foundation

Yet our research also demonstrated that there remain real challenges in ensuring that universities and cities have mutually beneficial relationships. For universities, it is important to note that the emphasis on their importance as drivers of the local economy adds another task to their already lengthy 'to do' list: it is not necessarily their core mission. And whilst some universities have welcomed the opportunity to combine their drive to be a world-class research institution that has global reach with a desire to work closely with the local community, other universities have admitted that they find combining the two missions challenging and tend to focus more either on global or more local issues.

Even where universities have a strong focus on working with local people within the local and regional economy, some universities admit that their main contact with local authorities tends to be with those in the planning department when permission for new buildings is sought. Their local contribution tends to be through business spinouts or reaching out to local students and communities; valuable activities but activities of which not all city councils are fully aware, despite the fact that these city councils are formulating economic development plans and considering where to invest money in growing small businesses or improving social inclusion and cohesion.

Uncertainty about how to engage best with universities and make the most of their knowledge assets and community activities was recognised by a number of local authorities as a key challenge. Most cities acknowledge the important role a university can play in the local economy by identifying them as an asset and potential 'tool' in their economic development kit – but sometimes the relationship between the city and the university does not move much beyond this acknowledgement. Our research highlighted that universities become frustrated when engagement is either too little, too late, or too much and too often, without recognising that universities have other missions besides contributing to the locality.

Other local authorities' economic development plans indicate clearly that they are keen to focus more on enabling the growth of private sector industries than working with public sector institutions such as universities, ignoring the role that public sector institutions can play in generating opportunities for private sector growth in a much more knowledge intensive economy<sup>3</sup>. As economic development becomes more important to local authorities, with the Sub National Review of Economic Development and Regeneration likely to mean the introduction of a duty to have an economic assessment, understanding how to work most

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<sup>3</sup> Clayton, N. (2008) *Enterprise priorities to enterprise powerhouses: the public sector in the knowledge economy*, The Work Foundation

effectively with a university has become even more important. This is further intensified by the challenging economic times with which we are now faced.

Our research suggests that improving the relationship between universities and cities to mutual benefit, and without imposing unnecessary burdens on either, require a range of measures to be undertaken.

**First, it is vital to recognise that different universities have different missions, and that different cities will have different visions of their economic and social future.**

Many universities, particularly those in the Russell Group, will prioritise ‘world class’ research and will look to make a global impact. Whilst this does not mean that they will not want to have a local impact too, these institutions are likely to have a different effect on the local and regional economy to institutions that have a more explicitly regional and local focus but may have less international recognition. Similarly, whilst local authorities and sub regional partnerships in places such as Greater Manchester regard their universities as a key element of their success in the knowledge intensive industry, but also have other knowledge assets on which they wish to build, other cities such as Stoke-on-Trent or Hull may be more reliant on their university institutions. The quality of the local economy can also effect the extent to which universities can engage locally, for example there will be fewer local student placements if fewer local companies provide high quality opportunities. Cities and universities need to develop working relationships that reflect their distinctive missions and circumstances.

**Second, expectations about the impact of universities need to move beyond a narrow focus on science and technology to consider their impact on sectors such as financial and business services and the creative industries.**

The idea of knowledge transfer has tended to be narrowly conceptualised, with limited ideas of which sectors and which academic disciplines can engage in knowledge transfer and what this might look like. These ideas are further reinforced by most of the measures of knowledge transfer and economic impact being developed for science and technology industries rather than other areas of research. This can mean that local economic development strategies see higher education as important with regard to knowledge transfer in science and technology sectors and not in other specialisms that the local economic development strategies may be seeking to grow. This misses real opportunities that some universities and cities are already benefiting from: for example, in Nottingham there is a Nottingham Creative Network that has successfully

supported a range of start-ups and growing businesses. In cities like Leeds and Manchester, there is potential for the city to benefit from the university working more closely with key sectors such as financial and business services to support higher quality management, leadership and practices. It is vital that universities and cities continue to look beyond the traditional knowledge transfer sectors in a more knowledge intensive economy.

**Third, cities and universities need to identify in more detail what their distinctive strategies to adapt to the knowledge economy are, and then where they have common goals.** Many of the ideas about the impact of education institutions on job creation, industry linkages and innovation are abstract and in practice are not fully captured or applied. Too often current relationships are based on a vague recognition that there could be benefits, rather than a more detailed review of where there should be benefits. This means that, within cities, local authorities/sub regional partnerships and different higher and further education institutions (many of whom provide access to higher education courses or facilitate people moving towards higher education) need to think about what their distinctive priorities are, and then where there is any overlap. To do this, we would suggest that cities and universities should make use of The Work Foundation's *Ideopolis* framework to help assess how the shift towards the knowledge economy creates distinctive opportunities and challenges for both cities and universities (see illustration of how to use the framework on page 7 overleaf). By using the same framework to consider what their core missions are, it is likely to become easier for cities and universities to identify where they have shared goals and where they do not. During the current economic challenges, cities may need to reassess the importance of public sector institutions such as universities in their economic development and regeneration strategies for the future.

**Fourth, cities and universities need to work together differently on different issues.** Where there are common goals and opportunities for mutual benefit, universities and local authorities/sub regional partnerships should consider whether this means working jointly on a project, consulting one another but working separately, or simply keeping one another informed but not working together. Research by the *Ideopolis* team shows that having clarity about shared objectives, developing relationships and trust over time, and minimising unnecessary meetings whilst ensuring people are consulted and informed at early stages in project development are all key to successful partnerships<sup>4</sup>. In other words, there is no need to work together on everything, it is important to minimise the meetings that people have to spend time in where possible, but keeping each other informed and involved at an early

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<sup>4</sup> Jones, A. and Morris, K. (2008) *Can collaboration help places respond to the changing economy?*, The Work Foundation

Figure 1: Priorities for cities and education institutions in the changing economy

	City priorities	Education institution local priorities
<b>Economy – what economic impact do you want to have in a more knowledge intensive economy?</b>	<i>Having a diverse set of specialised knowledge intensive industries with high productivity which build on existing strengths and create high skill jobs</i>	<i>Knowledge creation, knowledge transfer, employer engagement and offering high quality jobs to talented people at different levels, with an economic impact benefit of contributing to the productivity and the labour market of the city as employers</i>
<b>Leadership – what role does leadership play in achieving your overall mission?</b>	<i>Having a distinctive vision for future growth in the knowledge intensive economy and the capacity to deliver this through different institutions, working with talented people across different sectors. Attracting talented people to leadership roles.</i>	<i>Needing to demonstrate global and local leadership to achieve global and/or local mission. Acting as an ‘anchor institution’ locally to help attract and retain talented staff and students to work in and around the university. Supporting local economic impact as well as the development of high quality research and spin-outs.</i>
<b>Place – what impact do you hope to have on the built environment and infrastructure of the city to achieve your core mission?</b>	<i>Having an attractive city which enables people to have a high quality of life, to travel to work and businesses to work efficiently and productively, and helps to attract and retain visitors, residents and businesses to the area</i>	<i>Expanding campuses to provide appropriate facilities for students, staff, research and business spin-outs where appropriate; for some universities, embedding these campuses within the cultural and commercial districts of cities</i>
<b>People – what impact do you hope to have on people?</b>	<i>Attracting and retaining high level graduates, working with FE to develop intermediate skills and working with education institutions to help tackle rather than exacerbate inequalities</i>	<i>Working with local voluntary and community sectors and using academic expertise to support investment in communities, to widen access to further and higher education and to demonstrate economic impact where appropriate eg through generating jobs both directly and indirectly</i>

stage, and identifying projects where joint working really will deliver more benefits than working alone, would help universities and cities work together much more effectively.

**Fifth, Government needs to review the flexibility of the funding and incentives it provides for joint working provided to both universities and to local authorities and sub regional partnerships.** Whilst there is a history of education institutions working within cities, funding streams to support activities which do not have an economic focus have not been prevalent. Therefore, the incentive to work together must lie with the organisations concerned and the belief that joint working will produce mutual benefits. Furthermore,

institutions are funded at the individual level which may disincentivise collaborative working. At a time of constrained funding, Government should aim to remove barriers to using funding pots to support cities and universities working together for the benefit of the local economy. This is particularly important during a time when most cities will be facing rising unemployment and will need to manage short term difficulties as well as planning for the medium and long term when the economy will start to grow again and niche areas of research may be a considerable advantage.

**Sixth, city and university leaders need to demonstrate the importance of overcoming cultural barriers that prevent joint working.** One of the biggest barriers to more joint working between universities and cities is that different funding streams, missions of the institution and even the different language used means that, in practice, many of the individuals on whom successful relationships rely find it difficult to form sustainable relationships. Leaders need to encourage their staff to move beyond language barriers and scepticism about why they should work in partnership to explore where there are mutual benefits from working together. The more projects that demonstrate success, the more likely it is that cultural barriers will be challenged, that both universities and cities will benefit and that, ultimately, there will be economic and social benefits for the people living and working in the cities and regions involved.

At a time when Keynesian spending is back on the political agenda in order to deal with the most significant economic challenges to face the country in a generation, universities offer a real opportunity to cities seeking to increase their knowledge intensity in the short and longer term. The real challenge for cities and universities will be to make their relationship work effectively in the interests of both, and in the interests of the people who live, work and consume in the nearby area.

## 2. About this report

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This report, conducted as part of The Work Foundation's *Ideopolis* and Knowledge Economy programmes, reviews the changing relationship between cities and universities. Building on findings from earlier work in the *Ideopolis* and Knowledge Economy programmes, the aim of this project was to look in more detail at how education institutions and cities are working together at the moment given the context of an increased emphasis on knowledge and ideas, and how opportunities for partnership working that deliver mutual benefits can best be capitalised upon.

To investigate these questions we conducted expert interviews, four case studies (in Brighton, Birmingham, Leeds and Norwich) and reviewed existing evidence. Using our *Ideopolis* framework, this report aims to tell the story of how the shift towards a knowledge-based economy has altered the relationship between education institutions and the places in which they are located, and where there are opportunities for cities and universities to work together more effectively. It is important to note that the case studies were carried out during spring and summer 2008 and so before the downturn in the economic climate, but that our write up has considered what impact the recession might have on relationships between cities and their higher education institutions.

The report begins by reviewing in more detail the context for the changing relationship between higher education institutions and cities. It then uses the *Ideopolis* framework to consider four areas where universities and cities may benefit from joint working: Economy, Leadership, Place and People, drawing on evidence from our case studies about how education institutions and cities are working together on issues related to this theme now and an analysis of the enablers of and barriers to more effective joint working. The conclusion sets out a series of recommendations about what our findings mean for education institutions and cities going forward.

### 3. The relationship between the knowledge economy, education institutions and cities

*'From the early Middle Ages, university cities such as Toledo, Heidelberg and Oxford were centres for the spread of knowledge and new ideas which transformed thinking and practice across the European continent'<sup>5</sup>.*

The idea of 'university cities' – cities whose economies and societies were primarily shaped by their university – is not a new phenomenon. For centuries, universities have had a deep and dynamic relationship with the economic, social and cultural life of the cities in which they are based. As the UK makes the shift towards an economy that is more reliant on knowledge, innovation and skills, however, national policy makers are placing increasing emphasis on capturing, building on and incentivising a stronger relationship between universities and cities.

As both producers and consumers of ideas and skilled workers, universities are increasingly attractive opportunities for cities to grow their capacity to generate and exploit knowledge, particularly cities struggling to adapt to a post-industrial world. This section reviews what these changes in the UK economy have meant for both cities and universities, considers what the recession might mean for cities and universities and then assesses the areas in which cities and universities might work together for mutual benefit.

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#### 3.1 The knowledge economy

The past thirty years have seen the growth of the knowledge based economy on a global scale: an economy in which *'economic success is increasingly based on the effective utilisation of intangible assets such as knowledge, skills and innovative potential as the key resource for competitive advantage,'* (ESRC, 2005) and in which knowledge, skills and innovation matter more and more for business success, particularly in the 'developed' world.

This shift towards greater reliance on knowledge has been clearly evident in the UK, where the ability to produce, use, share and analyse knowledge has become increasingly important as a source of economic growth and wealth creation in all sectors<sup>6</sup>. This shift has been primarily demand driven, created by growing demand for higher value added goods and services from wealthier, more sophisticated, more discerning and better educated consumers and businesses. New general purpose technologies have combined with intellectual and knowledge assets to enable suppliers to respond to consumer demand, whilst globalisation has accelerated both customers becoming more demanding and businesses needing to respond. These drivers of economic change are set out in more detail in Figure 2 below.

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<sup>5</sup> Hildreth, P. (2006) *Roles and Economic Potential of English Medium-Sized Cities: A Discussion Paper*: SURF: Manchester, p.28-9

<sup>6</sup> Brinkley, I. (2006) *Defining the Knowledge Economy*: The Work Foundation: London

**Figure 2: Key drivers of the knowledge economy<sup>7</sup>**

- **Consumer demand:** over the past forty years the composition of demand has shifted decisively towards consumption of services and especially services generated by the knowledge based industries.
- **Technology:** acts on both the demand and supply side, but primarily as a supply side enabler. The internet and very powerful cheap computers have created the global information networks that make much of the knowledge economy possible and have found their way into most aspects of the production process, reducing transaction and investment costs substantially. New technologies have also allowed niche markets to be exploited.
- **Globalisation:** opening up of markets and the internationalisation of trade in knowledge sectors exposed to international competition: global labour markets for highly skilled workers, the provision of investment capital and access to new technology, information, ideas and knowledge flows from around the world have accelerated the transition to a knowledge economy.

Greater reliance upon knowledge-based products and services has had a significant impact upon the structure of our economy, with employment in knowledge intensive sectors now accounting for about half of all employment in the UK, as shown in Figure 3<sup>8</sup> and creating about 40 per cent of the nation's GDP<sup>9</sup>. These knowledge intensive sectors include both market based knowledge industries<sup>10</sup>, and also public based knowledge industries – education, health and social work. Over 45 per cent of value added is now created in knowledge based services<sup>11</sup>.

<sup>7</sup> Brinkley, I. (2008) *The Knowledge Economy: How Knowledge is Reshaping the Economic Life of Nations*, The Work Foundation

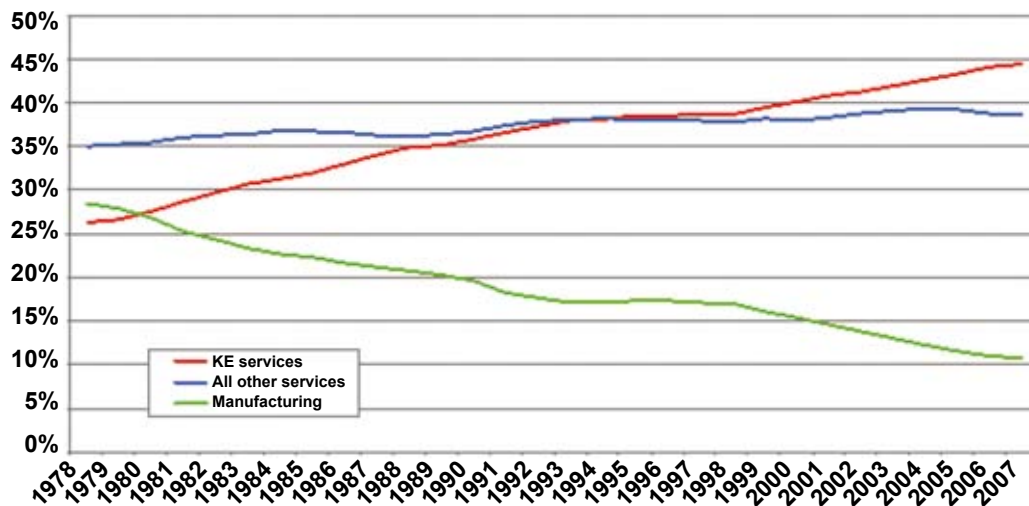
<sup>8</sup> Using the Eurostat definition the knowledge intensive industries now account for 51 per cent of total employment in the UK. The Eurostat data based on the European Labour Force Survey gives a figure of 48 per cent. The UK employer-based survey gives a figure of 51 per cent. We use the second source for this report as it allows a more disaggregated analysis at the sub-regional level. Source: Annual Business Inquiry 2005

<sup>9</sup> Brinkley, I. (2006) *Defining the Knowledge Economy* The Work Foundation: London

<sup>10</sup> High to medium tech based manufacturing, high tech services (telecommunications, computer services, R&D services), financial services, business services (real estate, advertising, accountancy, legal, technical, consultancy). Recreational and cultural based services included in EU definition but not OECD definition

<sup>11</sup> The Work Foundation's Knowledge Economy programme, EU KLEMS database

Figure 3: Jobs in knowledge based services 1978-2007<sup>12</sup>



Share of value added. Source: EU KLEMS database

Knowledge based services have also been the main source of employment growth in recent years: for every one job created in ‘other services’ between 1995 and 2005, 12 jobs were created in knowledge based services<sup>13</sup>. And whilst not all jobs in knowledge industries would necessarily be classified as ‘knowledge roles’ (for example, a cleaner working in a university plays a vital role and uses important knowledge but would not normally be classified as a ‘knowledge worker’), analysis of standard occupational classifications shows that 43 per cent of the workforce in 2005 could be described as ‘knowledge workers’<sup>14</sup> or, using qualification levels we see that 31 per cent of the workforce has a degree, compared to 24 per cent in 1995.

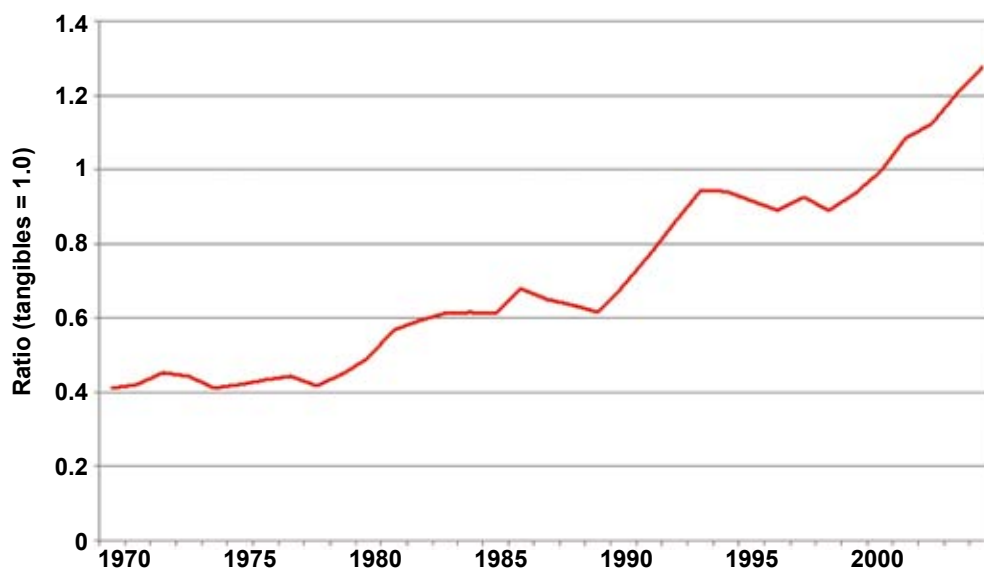
Given these wider changes, it is unsurprising that business investment in areas such as skills, research and development and software has increased substantially. This shift in business investment priorities is illustrated in Figure 4 below.

<sup>12</sup> Knowledge based services are OECD definitions (ie market and public knowledge services but excluding cultural and recreational). All other services are: retail, hospitality, transport, public administration and other community, social and personal services. Manufacturing includes both knowledge based and other sectors

<sup>13</sup> Brinkley, I. (2008) *ibid*

<sup>14</sup> Knowledge workers’ include the top three Standard Occupational Classifications – Managers, Professionals and Associate Professionals, though issues with this definition are currently being explored in the Knowledge Economy Programme

Figure 4: Changing investment priorities in the knowledge economy



Source: HMT Economic Working Paper, Pre Budget Report 2007

The graph shows the ratio of investment in ‘tangibles’, such as machines and buildings, to ‘intangibles’, which include research and development, software, design and development, brand equity, workforce training and organisational capital. Figure 4 shows that for every £1 invested in tangibles in 1970, businesses invested just 40p in intangibles. By 2004, however, investment in intangibles had tripled and for every £1 that businesses invested in tangibles they invested £1.30 in intangibles. For manufacturing businesses this increases to investment of £2 in intangibles for every £1 spent on tangibles such as machines<sup>15</sup>. In other words, businesses in all sectors are recognising the value of investing in the ‘intangibles’ that help to keep their business responding to changing demand.

When business spending across all sectors is broken down in more detail, it is clear that it is people’s ideas, skills and experience that matters most to businesses and in which most money is invested. Over a fifth of investment (21 per cent) is in human capital with another 17 per cent invested in organisational capital (the part of management time spent on strategic and structural change as opposed to day to day running of the business). An additional 17 per cent is invested in software, 15 per cent on brand equity, 14 per cent on design, 9 per cent on research and development and 7 per cent on other areas<sup>16</sup>.

<sup>15</sup> Brinkley, I. forthcoming, *Manufacturing and the Knowledge Economy*: The Work Foundation: London

<sup>16</sup> Source The Knowledge Economy and HM Treasury 2007

### 3.2 Education institutions in the knowledge economy

This vastly increased investment in intangible ideas and skills makes it unsurprising that universities and further education institutions should be looked to increasingly by policy makers as contributors to the economy on a national and international scale, but also at a more regional, city and local level.

Education institutions are vital in a more knowledge intensive economy both as creators and consumers of knowledge. As creators of knowledge, education institutions are fundamental to creating the 'intangible assets' – knowledge, skills and innovation – that have become the source of comparative advantage for thriving businesses. They are critical to the creation of intellectual and knowledge assets in the national and local economies through transfer of academic knowledge and expertise to improve productivity and to create new products and services. They also develop the human capital that fuels the economy.

The critical role of education institutions was recognised in the Lisbon Strategy of 2000, which committed the heads of the EU states to sustaining investment in human capital and knowledge transfer, and is reflected in the increasing proportion of GDP being spent on these activities across OECD countries<sup>17</sup>. Nor is this just about universities and degree level qualifications. The Leitch Review of Skills<sup>18</sup> published in 2006 called for an increase in adults' skills across all levels and for a more flexible and adaptive demand-led system. Higher and further education institutions are being heralded as the key to this and are being ever more closely scrutinised<sup>19</sup>.

In response to increased demand, higher and further education sectors have expanded impressively, both in the number of institutions and the volume of students<sup>20</sup>. They have also contributed significantly to the consumption of knowledge through the growth of employment in education, as shown in Figure 5 below.

Nearly a quarter (24 per cent) of employment in knowledge based industries is in education (see Figure 5 below) and jobs in education grew by 46 per cent between 1985 and 2005, only surpassed by the growth in jobs in business services (which grew by 79 per cent)<sup>21</sup>.

<sup>17</sup> Aghion, P. et al. (2008) *Higher aspirations: an agenda for reforming European universities*, Bruegel Blueprint 5

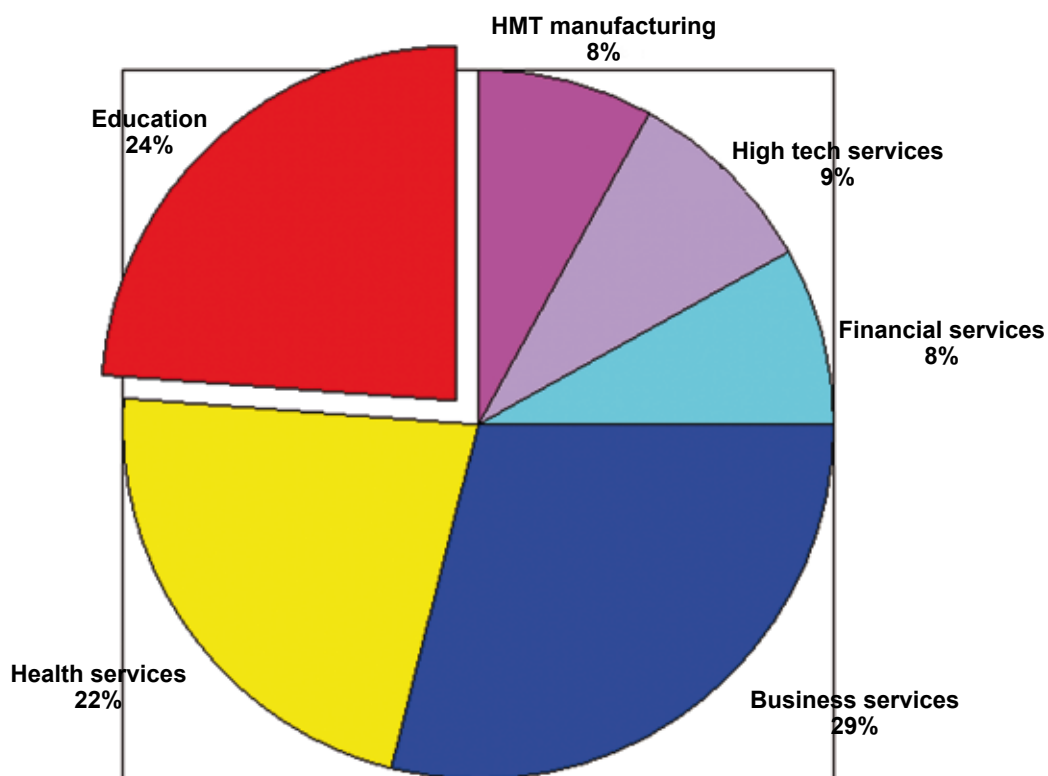
<sup>18</sup> *Leitch Review of Skills: Final Report* (2006) HMT

<sup>19</sup> Reichert, S. (2006) *The rise of knowledge regions: emerging opportunities and challenges for universities*: European University Association Publications

<sup>20</sup> *Leitch Review of Skills: Final Report* *ibid*

<sup>21</sup> The Work Foundation's Knowledge Economy programme analysis, source: EU KLEMS database

Figure 5: Education in the UK's knowledge based industries



Source EU KLEMS database

**Note:** Share of employment in knowledge based industries 2005, OEC/EU definition. HMT is high to medium tech. High tech services are communications, computer services, R&D

This rapid growth of, and increased investment in, the higher education sector has changed the nature of the demand placed on universities<sup>22</sup>, and expectations of what the sector will deliver for the economy and for wider societal benefits, have grown. One important element of these broader expectations is the emphasis on 'third strand' activities, thinking about the role and impact that universities and further education institutions have within local and regional economies and communities. Some academics suggest that the university must now be understood as multi-model and multi-scalar<sup>23</sup>, playing a key role in joining up local and regional governments with national interests in science technology, industrial

<sup>22</sup> Wedgwood, M. (2007) *Diversity with Excellence – Time to rethink the University?* A presentation to The Work Foundations 'Higher Education Forum'

<sup>23</sup> Arbo and Bennenworth cited in presentation Goddard for OECD Valencia conference

performance, education and skills, health, social inclusion and culture<sup>24</sup>. As such there is growing interest in understanding how the changes in the wider economy affect cities and what role universities might play in enabling cities to thrive.

**3.3** Before reviewing the relationship between cities and universities, it is important to review  
**Cities** how growth of the knowledge economy has affected cities. Contrary to the predictions  
**and the** that technology will disconnect people and firms from places, it has become clear that  
**knowledge** the knowledge economy has a very strong spatial dimension. Our *Ideopolis* research has  
**economy** presented a wide range of evidence to show that the growth in the knowledge economy  
is largely taking place in cities. Figure 6 below illustrates this by showing the regional  
distribution of employment in knowledge-based sectors (the OECD definition) and Figure  
7 shows this at the level of primary urban areas. Looking at Figure 7, it is quite easy to  
see where England's large cities are based on the clusters of dark blue. This is not just a  
population effect (ie more people live in cities). Cities have a greater proportion of knowledge  
industries per capita and this has an impact on productivity.

As we have argued elsewhere, cities are thriving in the knowledge economy because they offer trade and productivity benefits, they attract human capital and they facilitate the exchange of tacit knowledge<sup>25</sup>. Our work over the last few years has attempted to capture and explain this trend and to develop an evidence base to understand what this means for policy and for the different institutions and organisations that contribute to the future direction of cities<sup>26</sup>.

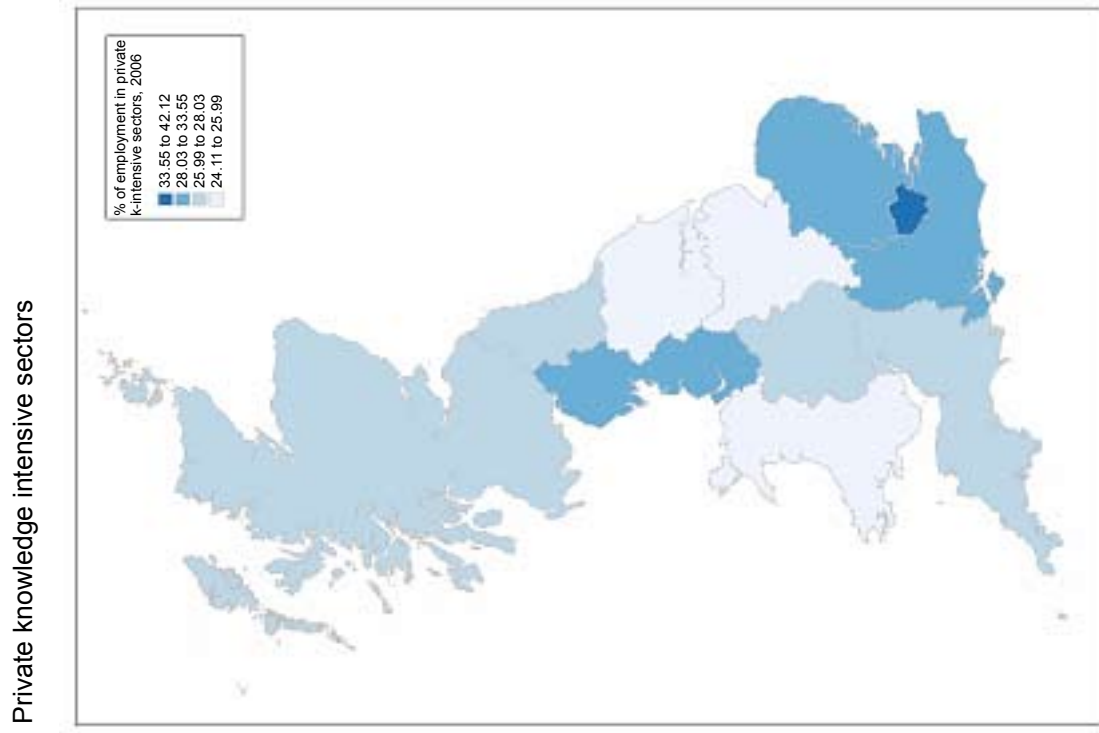
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<sup>24</sup> Goddard, J. (2007) *The engagement of higher educational institutions in regional development: an overview of the opportunities and challenges*: Paper for the OECD/IMHE International Conference

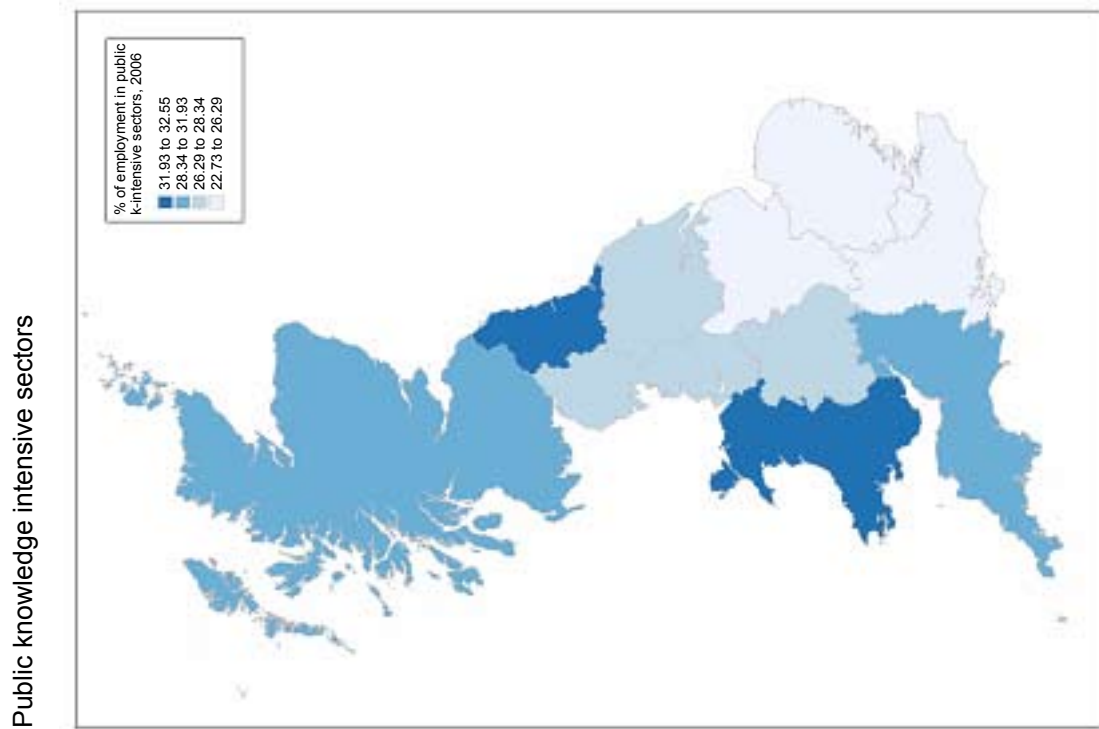
<sup>25</sup> Jones, A. et al. (2006) *Ideopolis: knowledge city-regions* The Work Foundation; and Jones, A et al. (2008) *How can cities thrive in the changing economy?* The Work Foundation: London

<sup>26</sup> Jones, A. et al. (2008) *ibid*

Figure 6: The regional distribution of employment in knowledge based sectors

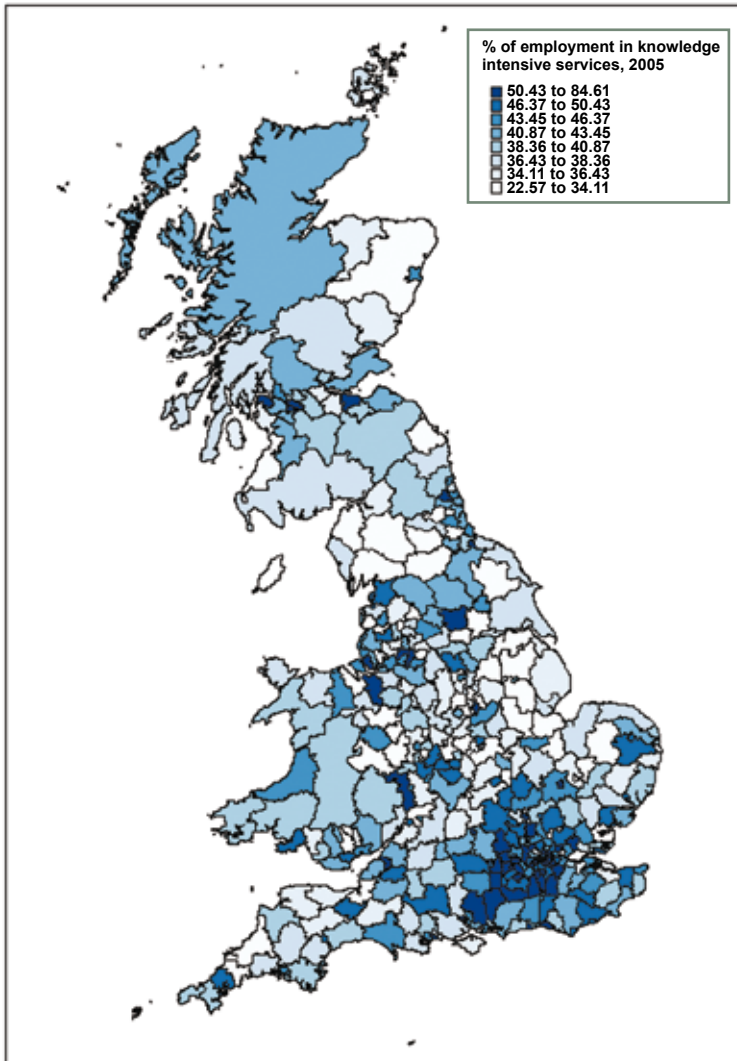


Source: Annual Business Inquiry, 2006



Source: Annual Business Inquiry, 2006

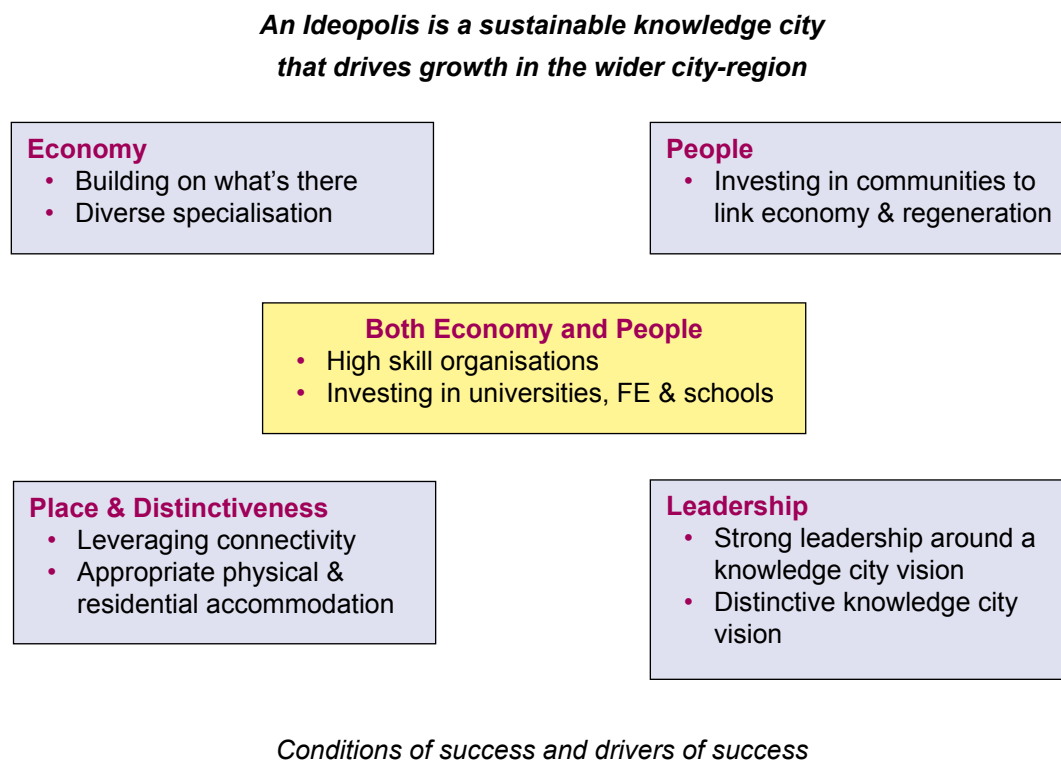
Figure 7: Employment in knowledge-intensive services, 2006



Source: Annual Business Inquiry, 2006

We identified nine key drivers that combine to 'create' an *Ideopolis*, that is a successful and sustainable city in the knowledge economy. These conditions support growth in the knowledge-based industries, attracting firms and people and dealing with the 'dark-side' of the knowledge economy, specifically inequalities and a congested infrastructure. The nine drivers are clustered in the Figure 8 below.

Figure 8: The *Ideopolis* drivers



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The *Ideopolis* research has found that the knowledge economy creates opportunities for cities. Urban areas were once a blot on the landscape for policy makers, with concentrations of economic decline, inactivity, crime and poor quality of life. Whilst these problems still persist in many cities, there are several that have turned themselves around through a combination of strong leadership, business investment, investment in skills and encouraging market conditions. However, there are many persistent and new challenges that cities face in the knowledge economy and it is not yet clear how the credit crunch and the threat of a global economic slow down will impact on those cities that have only recently started to see some real growth and change. The challenges facing stuck and resurgent cities were explored in our recent report, *How can cities thrive in the changing economy?*, published in July 2008<sup>27</sup>. The opportunities and challenges that we have identified are summarised in Figure 9 below.

<sup>27</sup> Jones, A. et al. (2008) *How can cities thrive in the changing economy?* The Work Foundation

Figure 9: Opportunities and challenges for cities in the knowledge economy

Theme	Opportunities	Challenges
<b>Economy</b>	<ul style="list-style-type: none"> <li>• Building on distinctive assets to develop more knowledge intensive industries</li> <li>• Making the most of their agglomeration benefits – skills/size/proximity/connectivity – to develop knowledge intensive industries</li> <li>• Developing a diverse base of specialist knowledge intensive industries</li> <li>• Capitalising upon public knowledge intensive industries such as education and healthcare to develop spin offs</li> </ul>	<ul style="list-style-type: none"> <li>• Adapting from dependence on manufacturing to more knowledge intensive industries</li> <li>• Increasing the quality of jobs as well as the jobs in knowledge industries – ie not relying solely on call centre work</li> <li>• Developing a balanced economy that contains some knowledge intensive industries but also employment in other industries, reflecting existing skills mix</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>• Higher skilled jobs available, enabling cities to attract highly skilled workers and residents</li> <li>• Affluent consumers enable growth of creative and cultural industries</li> <li>• Opportunities for lower skilled people through partnerships with retail and other industries in which barriers to entry are lower</li> <li>• Revitalised quality of life through regeneration and physical economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to attract highly skilled workers that make a city more resilient if the city has few to start with and few highly skilled jobs</li> <li>• Inequalities between work in low value and in high value sectors- Income inequalities</li> <li>• Ongoing concentrations of deprivation</li> <li>• Improving skills levels across city region</li> </ul>
<b>Place and Distinctiveness</b>	<ul style="list-style-type: none"> <li>• Investing in improved transport systems</li> <li>• Transformed city centres</li> <li>• New consumer and business markets that give cities a 'buzz'</li> <li>• Building on distinctive assets to ensure that cities remain distinctive</li> </ul>	<ul style="list-style-type: none"> <li>• Congested infrastructure</li> <li>• Damage to environment through economic growth</li> <li>• Based at too great a distance from London and other major conurbations</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Growing acknowledgement of the constraints of administrative boundaries that do not map onto economic geographies has led to a move towards a focus on city-region and sub-national working which is hoped will revitalise leadership and give greater powers at a local level</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership capacity at local authority level, particularly in terms of economic development and 'place-shaping'</li> <li>• Administrative boundaries do not reflect the way people live and work</li> <li>• Lack of distinctiveness in strategies and delivery</li> <li>• Lack of clarity about what partnerships are for lead to lack of outcomes</li> </ul>

It is important to note that one of the *Ideopolis* drivers identified is a vibrant education sector embedded in the local community and economy<sup>28</sup>. This is characterised by one or more universities linking closely with the city and businesses, supported by good education institutions helping all individuals develop their skills.

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**3.4 Education institutions, cities and knowledge cities** Our analysis so far suggests that the shift towards a more knowledge intensive economy both intensifies the policy expectations of education institutions, particularly universities, and has a particular impact in the cities in which most education institutions are based. Yet the idea that higher education institutions have a mission that relates to geography emerged relatively recently alongside changes in thinking about knowledge production and innovation policy<sup>29</sup>.

Most of the focus of policy thinking about the impact of universities on places to date has been at a regional level. By the 1990s the linear model of universities receiving money to do research, was being replaced by the triple-helix system: that is, 'an overlapping series of institutional arrangements among universities, industries and the government with hybrid organisations emerging at the interfaces'<sup>30</sup>. Academic literature was broadly in agreement that this 'triple-helix' model focusing on knowledge, learning and innovation is central to economic development and competitiveness at a regional level. Higher education has a role, for example, in the generation of tacit knowledge, skills, cultural and social inclusion<sup>31</sup>, which are also strong components of regional economic strategies. In addition, higher education within regions is a major business, it can market and attract inward investment, it can create spin-offs and entrepreneurial activity and it can advise business<sup>32</sup>. These different roles have a direct impact on the economic and social health of regions and universities are increasingly being seen as key to providing important regional links into the global knowledge economy<sup>33</sup>.

In the last few years, however, studies have been suggesting that education institutions and universities in particular should have a more regional and local focus. An extensive OECD study of the role of higher education institutions in regional development published in September 2007, argued that it is now time for higher education to develop a local focus

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<sup>28</sup> Jones, A. et al. (2006) page 10, *ibid*

<sup>29</sup> Benneworth, P.S. and Arbo, P. (2006) *Understanding the regional contribution of higher education institutions: a literature review*. IMHE The Regional Contribution of Higher Education project report, Paris: OECD

<sup>30</sup> NESTA policy briefing (2007) *ibid*

<sup>31</sup> Goddard, J. (2007) *ibid*

<sup>32</sup> Goddard, J. (2007) *ibid*

<sup>33</sup> *Five Ways Universities Drive Innovation: Policy Briefing* (September 2007) National Endowment for Science, Technology and the Arts (NESTA)

alongside national and global commitments<sup>34</sup>. The study identified three ways that higher education institutions can engage regionally:

- Knowledge creation in the region through research and its exploitation via technology transfer including spin out companies, intellectual property rights and consultancy;
- Human capital formation and knowledge transfer including localisation of learning process by work-based learning, graduate employment in the region, continuing education, professional development and lifelong learning activities; and
- Cultural and community development contributing to the milieu, social cohesion and sustainable development that can create the conditions in which innovations thrive.

The OECD report also stated that ‘there is scope for action at the metro-regional level, which combines both physical proximity at which collaboration is easiest and the sufficient scale to capture synergetic effect and diversity’<sup>35</sup>. As a result, three areas were identified where partnerships between city-regions and higher education institutions can be fruitful: firstly by matching supply and demand in the local labour market, secondly by promoting local economic development, and thirdly by contributing to regional systems of governance.

These findings are also reflected in The Work Foundation’s early *Ideopolis* research, which found that education institutions are extremely important in cities as they grow their knowledge based industries. This is not simply about having a university and instead about the significant role that education institutions play in cities’ economic development through a dynamic range of activities. This means that successful cities have a labour force with skills that respond to the needs of the knowledge economy and education institutions that generate this human capital. The education sector generates economic output in its own right, nationally and locally, and particularly through knowledge transfer activities, including research and development and innovation. Furthermore, education institutions play a significant role in ensuring that individuals and communities are not ‘bypassed’ by the knowledge economy. As institutions primarily based in cities, universities also make a significant contribution to the ideas, ‘buzz’, creativity and highly skilled jobs in places as diverse as Oxford, Manchester, Southampton and Bradford.

As a result of the changes in the wider economy, the separately growing importance of both universities and cities, and the fact that most universities are based in cities, the city-university relationship is becoming increasingly important. It is seen as pivotal to supporting

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<sup>34</sup> *Higher Education and Regions: Globally Competitive, Locally Engaged* (2007) OECD

<sup>35</sup> OECD 2007 *ibid*, page 21

the UK economy to thrive and to helping places across the UK adapt to changes in the wider economy, increase the proportion of knowledge intensive jobs and workers, and deliver beneficial outcomes for communities. And this is likely to become even more relevant in the current economic climate.

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**3.5** In the current downturn, when most sectors are feeling the pinch of a credit crunch and a contraction in consumer and business spending, the public sector is likely to be even more important for the UK economy and for cities. Sir Michael Parkinson identified five sectors as key to cities' growth during the past ten years: retail, construction, leisure, financial services and higher education. Of these five, only higher education is likely to be relatively unaffected by the challenges hitting the global economy and so it will be a vital source of employment.

**Cities, education institutions and the credit crunch**

Higher education institutions are also a potential stimulus of economic growth. The Work Foundation's *Enterprise Priorities to Enterprise Powerhouses* report found that the education sector, together with health, is a key part of the public sector components of the knowledge economy in many cities across the UK. It is no surprise that the most productive cities, of those with a high ratio of public to private sector knowledge industries, are well known university cities (Cambridge, Oxford and York). Our research also showed, however, that universities have benefited cities such as Sheffield and Newcastle in adapting to a more knowledge intensive economy and growing private as well as public sector knowledge intensive employment<sup>36</sup>. In some cities education and health may be the only knowledge intensive sectors, and in those places without a strong private sector knowledge economy it becomes critical that public resources are used to stimulate growth in the private sector. Both for successful cities likely to experience job losses and for struggling cities likely to find it even harder to increase their productivity now, universities provide an opportunity to grow productivity, develop skills and stimulate ideas, as well as work more closely with the local community.

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<sup>36</sup> Clayton, N. (2008) *Enterprise priorities to enterprise powerhouses: the public sector in the knowledge economy*, The Work Foundation: London

## 4. How can cities and education institutions work together?

In a more knowledge intensive economy there are clearly opportunities for cities and universities to work together for mutual benefit, and this is being recognised by policy makers. The announcement earlier this year of the ‘new university challenge’ by the Department of Innovation, Universities and Skills is an example of this desire to spread the ‘power of higher education’ across England. Yet the growing emphasis on the vital role of universities in helping cities adapt to, and thrive in, the changing economy not only creates new challenges and opportunities for both parties. It also raises growing questions about *how* universities and cities can best work together to secure economic, social and intellectual benefits.

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**4.1 Challenges for universities** For universities, it is important to note that the emphasis on their importance as drivers of the local economy adds another task to their already lengthy ‘to do’ list: it is not necessarily their core mission. And whilst some universities have welcomed the opportunity to combine their drive to be a world-class research institution with global reach with a desire to work closely with the local community, other universities have admitted that they find combining the two missions challenging and tend to focus more either on global or more local issues. Questions are being raised about whether universities can both achieve the national goal for the UK to have world class universities which continue to fare well against competitors in the Shanghai and other indices, and focus on contributing to their local economy? If universities are world class, their relationships are more likely to be global – with high level institutions overseas and multinationals – rather than local and regional. Impacts on regional and city economies may be more of a side effect than a specific strategic objective. Whilst the diversity of the higher education sector in terms of strategic focus may help universities deliver a wide variety of outcomes, international rankings show that the UK generally does well on world-class institutions but may be less impressive in second to third ranking institutions<sup>37</sup> – the ones that are more likely to engage in local linkages.

Even where universities have a strong focus on working with local people within the local and regional economy, there are concerns about funding: in 2001, the UK spent 1.1 per cent of GDP on higher education, compared to 1.3 per cent as an average across the EU15 and 3.3 per cent in the US. The current climate of needing to reduce public spending may reinforce pressures on universities to focus on core missions, rather than multiple tasks. In addition, it may force a focus on easily measurable outputs such as knowledge transfer within science and technology, overlooking the importance of the transfer of knowledge in face-to-face meetings and through networking, which is less easily measured.

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<sup>37</sup> Aghion, P. et al. (2008) *ibid*

In addition, some universities admit that their main contact with local authorities tends to be with those in the planning department when permission for new buildings is sought. Their local contribution tends to be through business spinouts or reaching out to local students and communities; valuable activities but activities of which not all city councils are fully aware, despite the fact that these city councils are formulating economic development plans and considering where to invest money in growing small businesses or improving social inclusion and cohesion.

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**4.2 Challenges for cities** For local authorities, uncertainty about how to engage best with universities and make the most of their knowledge assets and community activities was recognised as a key challenge. Partly this is because it can be unclear at which spatial level a ‘city’ should seek to engage with a university. In local authorities with wide boundaries, one local authority may be sufficient; in other areas it may be more effective for sub regional partnerships to form and work with the university as a group, reducing the burden of meetings. Throughout this report we use the term ‘city’ to represent the geographical area in which the education institutions are based, whilst recognising that more than one institution can represent a ‘city’, from a city local authority to a partnership of local authorities, and that arrangements will vary in different places. We suggest that this broad definition of ‘city’ should be borne in mind when considering how to put this report’s recommendations into practice.

Most cities acknowledge the important role a university can play in the local economy by identifying them as an asset and potential ‘tool’ in their economic development kit – but sometimes the relationship between the city and the university does not move much beyond this acknowledgement. Our research highlighted that universities become frustrated when engagement is either too little, too late, or too much and too often, without recognising that universities have other missions besides contributing to the locality.

Other local authorities’ and city region economic development plans indicate clearly that they are keen to focus more on enabling the growth of private sector industries than working with public sector institutions such as universities, ignoring the role that public sector institutions can play in generating opportunities for private sector growth in a much more knowledge intensive economy<sup>38</sup>. As economic development becomes more important to local authorities, with the Sub National Review of Economic Development and Regeneration having introduced a duty to have an economic assessment, understanding how to work most

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<sup>38</sup> Clayton, N. (2008) *ibid*

effectively with a university has become even more important. This is further intensified by the challenging economic times with which we are now faced.

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**4.3**  
**How can**  
**education**  
**institutions**  
**and cities**  
**work**  
**together?**

For universities and cities to work together for mutually beneficial outcomes requires much greater clarity than exists at present about how cities, city regions and regions can most effectively work with higher and further education institutions. To do this requires understanding how the knowledge economy changes priorities for cities and how it changes the locally focused priorities of education institutions.

Many of the ideas about the impact of education institutions on job creation, industry linkages and innovation are abstract and in practice are not fully captured or applied. Too often current relationships are based on a vague recognition that there could be benefits, rather than a more detailed review of where there should be benefits. This means that, within cities, local authorities/sub regional partnerships and different higher **and** further education institutions (many of whom provide access to higher education courses or facilitate people moving towards higher education) need to think about what their distinctive priorities are, and then where there is any overlap.

To do this, we would suggest that cities and universities should make use of The Work Foundation's *Ideopolis* framework to help assess how the shift towards the knowledge economy creates distinctive opportunities and challenges for both cities and universities. By using the same framework to consider what their core missions are, it is likely to become easier for cities and universities to identify where they have shared goals and where they do not. During the current economic challenges, cities may need to reassess the importance of public sector institutions such as universities in their economic development and regeneration strategies for the future.

Using this structure, the following sections will draw in more detail on our case studies to review the ways in which cities and education institutions are responding to these changing priorities and where there are opportunities to work together for mutual benefit.

Figure 10: Priorities for cities and for education institutions in the changing economy

	City priorities	Education institution local priorities
<b>Economy – what economic impact do you want to have in a more knowledge intensive economy?</b>	Having a diverse set of specialised knowledge intensive industries with high productivity which build on existing strengths and create high skill jobs	Knowledge creation, knowledge transfer, employer engagement and offering high quality jobs to talented people at different levels, with an economic impact benefit of contributing to the productivity and the labour market of the city as employers
<b>Leadership – what role does leadership play in achieving your overall mission</b>	Having a distinctive vision for future growth in the knowledge intensive economy and the capacity to deliver this through different institutions, working with talented people across different sectors. Attracting talented people to leadership roles	Needing to demonstrate global and local leadership to achieve global and/or local mission. Acting as an ‘anchor institution’ locally to help attract and retain talented staff and students to work in and around the university. Supporting local economic impact as well as the development of high quality research and spin-outs
<b>Place – what impact do you hope to have on the built environment and infrastructure of the city to achieve your core mission?</b>	Having an attractive city which enables people to have a high quality of life, to travel to work and businesses to work efficiently and productively, and helps to attract and retain visitors, residents and businesses to the area	Expanding campuses to provide appropriate facilities for students, staff, research and business spin-outs where appropriate; for some universities, embedding these campuses within the cultural and commercial districts of cities
<b>People – what impact do you hope to have on people?</b>	Attracting and retaining high level graduates, working with FE to develop intermediate skills and working with education institutions to help tackle rather than exacerbate inequalities	Working with local voluntary and community sectors and using academic expertise to support investment in communities, to widen access to further and higher education and to demonstrate economic impact where appropriate eg through generating jobs both directly and indirectly

## 5. Economy: Embedding education institutions in city economies

*'It isn't just that universities are a source of knowledge, research and skills. That's important and will always be the core of what they do. What is far less recognised is the role they play in civic renewal and local regeneration. For every 100 jobs in a university, almost as many are created in the local area. Each year £1.5bn is spent off campus; spin-out companies, worth £3bn to the national economy, are likely to be locally based.'*

Estelle Morris, pro vice-chancellor of the University of Sunderland,  
writing in The Guardian, 25 March 2008

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### 5.1 Potential economic opportunities for universities and cities

As the economy becomes more knowledge intensive, there has been a particular interest on the impact of higher education institutions on the economy at national and sub-national levels<sup>39</sup>, and the role that universities play in stimulating high skill organisations, high value jobs, and diverse industries with specialist niches (all *Ideopolis* drivers of successful knowledge cities).

From a city perspective, there is particular interest in **job creation**. Michael Porter's research in the US suggests that the 'Education and Knowledge Generation' sector, of which higher education is a key part, added as many as 500,000 jobs to the national economy between 1990 and 1999<sup>40</sup>. In the UK, 1.4 million or 5 per cent of the workforce is employed in the education sector<sup>41</sup>. Universities in particular are large employers of an increasingly internationalised workforce. And these jobs are largely concentrated in the travel to work areas of the cities in which universities are located. Attracting significant and growing numbers of employees can have a transformative impact on a city labour market and also on demand for local goods and services. With the numbers employed in the education sectors growing, this impact will likely become increasingly important in the future, and with increasing policy emphasis on 'impact' measures of university funding, this is useful for universities to demonstrate as well.

Jobs can also be created through **business-university collaboration**. Since the Lambert Review<sup>42</sup> highlighted the importance of business-university collaboration in maximising research and development outcomes, policy and funding have focused on catalysing the

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<sup>39</sup> Charles, D. and Benneworth, P. (2001) *The Regional Mission: the national report* : A report from the Centre for Urban and Regional Development to Universities UK

<sup>40</sup> *Leveraging Colleges and Universities for Urban Economic Revitalisation: An Action Agenda* (2002) Joint study by Initiative for Competitive Inner City and CEOs for Cities

<sup>41</sup> Cited in *Enterprise Priorities*

<sup>42</sup> The Lambert Review of Business-University Collaboration: Final Report (2003) HMT:

[http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/lambert/consult\\_lambert\\_index.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/lambert/consult_lambert_index.cfm)

research and development capabilities of universities. Research parks, science parks, and knowledge-transfer offices have sprung up as intermediary institutions to support this process. And the reason for this focus is perhaps illustrated by some impressive figures from the US and Canada about job creation. A survey of 134 university research parks suggests that more than 300,000 workers in North America work in a university research park. And for every one of these jobs, on average, 2.57 jobs are generated in the economy<sup>43</sup>.

**Industry linkages** are important from both a city and a university perspective. Education institutions are regarded as having an important role in raising the productivity of local businesses, and are incentivised to increase knowledge transfer. Investigation into partnership working between higher education institutions and industry is now well-trodden ground with a good deal of research focusing on the role of higher education institutions in innovation and regional policy. This research has focused on clusters, research and development, science and technology and what higher education institutions can contribute through technology transfer and the commercialisation of knowledge<sup>44</sup>.

The significant weight placed upon industry linkages by politicians, businesses and regional and local economic development professionals can, however, be met with mixed feelings by university researchers as it contrasts with the traditional academic pursuit of knowledge as an end in itself<sup>45</sup>. In addition, as The Work Foundation's work in this area has pointed out, this may rely on too narrow a definition of 'knowledge' and to narrow a focus on the impact that education institutions have on the places in which they are located. For example, current policy places considerable emphasis on research and development in a limited amount of sectors such as technology and pharmaceuticals. Opportunities for further benefits are being missed for both universities (seeking to demonstrate impact in terms of quality of research and wider outcomes) and cities (seeking to grow their economy) by not thinking more widely about the range of beneficial roles that universities can play in national and sub-national economies<sup>46</sup>.

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<sup>43</sup> Trends and Characteristics in North American Research Parks: 21<sup>st</sup> Century Directions: <http://www.battelle.org>, <http://www.aurp.net>

<sup>44</sup> Adams, J. and Smith, D. (2004) *Research and regions: an overview of the distribution of research in UK regions, regional research capacity and links between strategic research partners*: Higher Education Policy Institute

<sup>45</sup> Reichert, S. (2006) *ibid*

<sup>46</sup> Piatt, W. (2004) *Diverse missions: achieving excellent and equity in post-16 education*: Institute for Public Policy Research (ippr)

Research conducted for NESTA<sup>47</sup> that identified five ways in which universities can impact on regional and national economies by driving **innovation** speaks to this broader agenda. They emphasise that only a few institutions will be able to excel in all five areas and that in order to meet specific regional needs, universities will be required to provide different services depending on demographic and economic make-up, and, perhaps, the chosen trajectory for the region. In light of this, universities will have to choose where to concentrate their efforts; for instance, NESTA suggests that regions which are dependent on a small group of large firms may benefit most from establishing strong links between the universities and those firms and on deepening the labour pool to suit. However, such decisions should not be made centrally, but through consultation and collaboration, ensuring that consideration is made of the range of roles that universities can play in the sub national economy.

When thinking about opportunities for universities and cities to work together to the benefit of the economy, three issues are worth noting. First, there is not a one size fits all model for universities and, depending on a multitude of factors related to capacity and location, universities across the UK should have diverse but complementary missions to be able to offer more choice in response to differing individual need and the changing nature of markets<sup>48</sup>. Based on this premise, current systems, structures, funding and policies, predicated on a particular university model, may stand in the way of universities widening their contribution within an academic and societal context<sup>49</sup> and may need to be reassessed.

Second, there has tended to be an overemphasis on narrow concepts of knowledge transfer and a limited idea of which sectors this applies to, and this needs to change. The current economic climate and increased interest in assessing impact in all sectors may be an opportunity for both universities and cities to think more broadly in this area.

Third, many of the ideas about the impact of education institutions on job creation, industry linkages and innovation are abstract and in practice are not fully captured or applied. This last point is illustrated most clearly in the work that has emerged from our case studies in terms of how education institutions and cities were working together to create economic opportunities, how the impact of this work is being captured and what the barriers are to opportunities being realised.

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<sup>47</sup> *Five Ways Universities Drive Innovation: Policy Briefing* (September 2007) National Endowment for Science, Technology and the Arts (NESTA)

<sup>48</sup> Piatt, W. (2004) *ibid*

<sup>49</sup> Wedgwood, M. (2007) *ibid*

5.2  
Education  
institutions  
and cities  
working  
together  
to create  
economic  
opportunities

In our case studies, interviewees discussed a number of activities which education institutions are undertaking to create new opportunities in the local city economy. Across all institutions, there was evidence of knowledge creation at the regional and national level through research, spin out companies, intellectual property rights and consultancy. And, in some cases activities had a specific city or city-region focused outcome although it was not always clear from the perspective of the cities how work was initiated to impact on local economic development where no obvious funding stream exists. Figure 11 below details some of the examples from the case study cities.

**Figure 11: Examples of economy-focused activities**

**Spin out companies:** Sussex Innovation Centre, working very closely with Sussex University and located on the campus, provides facilities and business incubation for over 70 companies. There was concern that SMEs in Brighton could easily move to Manchester where there was more access to funding, so Sussex University and other partners got together to apply for an A I Framework Grant to develop a postgraduate degree suited to the needs of local organisations.

**Consultancy:** The University of Leeds' Institute of Transport Studies is internationally acclaimed and the best of its kind in the country, whilst ironically one of the major challenges the city faces is congestion and poor transport infrastructure. As a result the University worked with the council on a consultancy basis to address the issue.

**Business support and innovation:** Sussex Innovation Centre has housed 134 companies in its 10 year history and has been responsible for developing a range of innovation support programmes for entrepreneurs, including: Know-How Exchange, Commercialisation Support Group, Hub 100, Marketing Exchange and most recently the New Product Network.

**Knowledge transfer through student placements:** The University of Brighton is looking at a more sophisticated placement structure for their sandwich courses to ensure that graduates go on to relevant jobs and make use of their degree subject. They see huge potential for knowledge transfer in student placement activities if a student undertakes a piece of research for a company.

These activities are seen as vital to the productivity of local economies and make a contribution to the economic drivers of urban success.

**5.3** Not all aspects of joint working are easy to quantify. The effectiveness of strategies to create locally based spin out companies, to transfer knowledge, to provide business support and consultancy is perhaps the most easily quantified. This area of activity can be easier to measure because the financial outcomes can be used as a measure of success. For example, the Sussex Innovation Unit has attracted over £18m of investment and generated over £150m of revenue after an initial public investment of under £2m. However, in each case study city, it was difficult to get a strategic overview of how the activities of different institutions ‘add up’ to have overall impact on the economy. That is, the extent to which the education architecture as a whole is impacting on the local economy.

**Capturing  
the  
impact of  
education  
institutions  
on the  
economy**

This is not necessarily an issue for leaders in the education sector who have a grasp of the activities and priorities of their institutions but is more of an issue for city authorities and RDAs who may be missing the opportunities that education institutions can create and not supporting them to maximise these opportunities. For cities, this is where the gap between rhetoric about the importance of education institutions to local economic development and the reality about how this works in practice lies. City authorities have not previously been empowered through governance or funding arrangements to oversee, co-ordinate or at the very least maintain an updated picture of the impact of their education architectures on the city’s economy. In some cities, this may not be important, as some of the issues here may be considered best dealt with at a regional level. However, if our evidence about the knowledge economy being an urban phenomenon is right, then this is a critical issue to understand at the city level going forward.

For education institutions, having a grasp of their own activities is important and, with increased emphasis upon assessing ‘outcomes’ of investment in university research, and pressure on the research budget growing, being able to be clear about how their activities affect the local economy will be increasingly valuable. More effective measurement is likely to enable better working between cities and education institutions.

**5.4** Our case studies illustrated that cities and education institutions needed to overcome different barriers in order to have a positive impact upon the local economy. Particular barriers listed in our case studies are detailed in Figure 12.

**Overcoming  
the barriers  
to growing  
the  
economy**

**Figure 12: Barriers to economy focused activities**

**Priorities of local employers:** Aston University is going to become a pilot Foundation Degree Centre aiming to work more closely with employers. Whilst they would like more local employers to be involved, they see the need to think innovatively about accessibility by providing part-time and distance learning courses to engage with a wider group of employers. The priorities of local employers and the cultural barriers between local employers and universities were seen to reduce the impact that could be made locally.

**Lack of graduate jobs:** Many institutions voiced concerns about the availability of highly skilled jobs in the cities in which they were based and the impact that this had on graduate retention and also on the attractiveness of the city as somewhere to study. The University of Brighton has an impressive level of graduate retention but there are questions about whether graduates in Brighton are employed effectively due to the lack of jobs demanding high-level skills in the local economy. There is also concern about graduates working in non-graduate roles and thus crowding out people with intermediate level skills from the labour market.

These city specific barriers are likely to have much wider relevance, with more significant problems in relation to availability of high quality jobs likely to face those cities that are struggling and that rely on their education institutions to supply most of their high skilled jobs.

The range of activities that have taken place post-Lambert, including the Higher Education Innovation Fund and Knowledge Transfer activities, means that economy focused activities are perhaps the most well-defined and effective of all the opportunities for cities and education institutions to work together. The industry sector focus from the education institutions lies mainly in the growing knowledge sectors, and particularly creative and cultural industries and science industries. This is also where the large funding and political appetite appears to be. However, an issue that emerged in both Brighton and Leeds was the comparative lack of activities focused on knowledge-based services, including professional and business services and knowledge-based services. This seems to be a missed opportunity and something that is worthy of further investigation in the future. Related to this, it was acknowledged that one of the future challenges will be the employer agenda which is something that different institutions have different levels of experience of addressing. Both are real opportunities for mutual benefit that cities and universities should consider.

## 6. Leadership: Embedding education institutions in the vision and leadership of the city

*'Over the past ten years, there has been a marked change in the culture of many British universities. They have cast off their old ivory tower image and are playing a much more active role in the regional and national economy.'*

Lambert Review, 2003 (page 9)

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### 6.1 Potential leadership opportunities for universities and cities

Leadership is highly important to successful universities, as well as being one of the key drivers of city success. The idea of leadership – what creates good leaders, what powers they should have – runs through most of the research that seeks to understand how universities can thrive and cities work. It is a significant theme of the *Ideopolis* research, which has argued that leadership for cities in the knowledge economy should be at the 'right' level (ie should make sense in terms of economic geography), should run across all sectors and should be able to make tough decisions. Education institutions and their senior staff are critical to the leadership of cities by representing cities on an international stage, by being part of the civic infrastructure of the city and by working in partnership and collaboratively at the level of the city. In turn, education institutions can benefit from effective leadership within a city supporting them to build new physical infrastructure and work more closely with local businesses.

Our *Ideopolis* work found that cities can benefit a great deal from the contribution of education institutions to civic leadership and governance. Higher education institutions are in a unique position in terms of leadership. They have highly educated well-networked leaders who can bring a national and, often, international perspective to local dialogue. There is a growing expectation that cities should capitalise on this. In addition, research from the US<sup>50</sup> suggests that higher education institutions, like museums and hospitals are 'anchor institutions' which represent 'sticky capital' within cities because of their relative stability. And this should give those institutions a reason to want to shape the future of their city. The research develops the idea of a symbiotic relationship between cities and higher education institutions: *'Colleges and universities depend on their surroundings to serve their overall purpose. They require a degree of vitality in their host cities to attract faculty and students and to provide environments conducive to teaching and learning. Simultaneously, cities depend on universities to bring vitality, not to mention a competent workforce and intellectual stimulation<sup>51</sup>.'*

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<sup>50</sup> City Anchors: Leveraging Institutions for Urban Success (2007) CEOs for Cities: <http://www.ceosforcities.org/rethink/research/files/City%20Anchors.pdf>

<sup>51</sup> CEOs for Cities (2007), page 9: *ibid*

Both universities and cities are increasingly seeking opportunities to form and work together in sub-regional alliances. The Yorkshire Universities' strategic plan outlined a reorganisation of operational areas around the sub-regional dimensions to make efforts more relevant and effective<sup>52</sup>. The Thames Gateway London Partnership (TGLP)<sup>53</sup> is a sub-regional alliance of twelve local authorities, five universities, two colleges, the Learning and Skills Council, the North East and South East Strategic Health Authorities aimed at helping deliver the economic, physical and social regeneration of the Thames Gateway. Such alliances can help to develop more tailored approaches and solutions to local social and economic development issues.

In addition to alliances made around city and sub-regional economies, there is also increasing emphasis on collaboration between education institutions and between different parts of the education sector (HE and FE partnerships, for example). Collaboration can potentially help to ensure focus on specialisms<sup>54</sup>, as well as helping to meet economic and education goals, the benefits of facilities and resource sharing, and the access to additional instruction that students gain<sup>55</sup>. There is evidence of universities collaborating to capitalise on their strengths and to draw on the strengths of other institutions and university associations have formed, which attempt to share ideas, resources and best practice<sup>56</sup>.

In this section we look at the ways in which education institutions in case study cities are contributing to the city leadership and partnership, how these activities are measured and what the barriers and enablers are. The roles of education institutions in city leadership was seen by many interviewees as critical and often overlooked in the discussions that focus on knowledge transfer and job creation rather than on education institutions as long-standing actors embedding within the cultural and civic life of a city.

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### 6.2 Education institutions and cities working in partnership

Education institutions lead and participate in many activities which strengthen the distinctiveness of a city and which contribute to effective leadership, decision-making and forward planning. They also increasingly work with other education institutions. Indeed, the universities said they worked well together. This is often in a complementary way but with enough competition to 'keep each other on their toes'. And in some cases they shared

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<sup>52</sup> Yorkshire Universities Strategic Plan 2004 – 2007

[www.yorkshireuniversities.ac.uk/docs/YUinfo/strategicplan.doc](http://www.yorkshireuniversities.ac.uk/docs/YUinfo/strategicplan.doc)

<sup>53</sup> [http://www.thames-gateway.org.uk/uploadedFiles/projects/Industry\\_and\\_Economy/Innovation.pdf](http://www.thames-gateway.org.uk/uploadedFiles/projects/Industry_and_Economy/Innovation.pdf)

<sup>54</sup> Piatt, W. (2004) *ibid*

<sup>55</sup> Amey, M.J., Eddy, P.L. and Ozaki, C.C. (2007) Demands for Partnership and Collaboration in Higher Education: A Model: New Directions for Community Colleges, 139 (Fall)

<sup>56</sup> [www.hero.ac.uk/uk/reference\\_and\\_subject\\_resources/groups\\_and\\_organisations/he\\_regional\\_associations1248.cfm](http://www.hero.ac.uk/uk/reference_and_subject_resources/groups_and_organisations/he_regional_associations1248.cfm)

premises, for example, the University of Brighton and the University of Sussex share a medical school. Other examples are detailed in Figure 13 below.

**Figure 13: Partnership working examples**

- The University of Leeds and Leeds Metropolitan University are developing an idea, currently called The Innovation Zone, which they hope will act as a long term vision and project for the two universities and the 'city' to group around in order to maintain relationships.
- Norwich has a regular meeting where the VC of the university, FE principals and council managers meet: FE and HE in the Greater Norwich Economy. The forum is used to discuss opportunities for further collaborations between the FEIs and HEIs to address economic and education issues: high value job growth, interface with business, enterprise generation, tackling poor educational performance in the indigenous population.
- Sussex Learning Network is a life long learning partnership which pulls together HEIs and FEIs and employers and providers. The Network is looking for funding to continue its work as its three-year funding is now finished. It has four main aims:
  - Providing clear pathways into higher education for vocational learners;
  - Enabling staff in partner institutions across Sussex to work together to plan, develop and deliver an improved service;
  - Offering employers and learners a chance to influence and shape the development of vocational learning;
  - Being a source of information, innovation and inspiration for all those who want to improve their knowledge and skills.

**6.3  
Capturing  
the impact**

One issue that emerged strongly in the case studies was the difficulty of measuring the impact of individual activities as well as taking account of several activities to capture the full current and potential contribution of city focused initiatives. Alongside this, neither education institutions nor local economic development agencies appeared to have an agreed strategy for collaborative working to impact on the city economy, people, place and leadership. In Norwich they are making some progress with joint meetings between the City Council, University of East Anglia, the two further education colleges and the School of Art & Design. As our recent report argues, effective collaboration at the local level relies on agreeing outcomes and focus and having measures in place to define what success looks like. These measures are often qualitative and so not captured in current national impact measures.

Although leadership and partnership are widely seen as important to cities, it is hard to specify what this looks like and to capture the impact of how different leadership and partnership arrangements work. Leadership is frequently used as a shortcut for many things, but it is often not clear how it adds up across the city as a whole. Meetings and networks often have intangible outcomes and thus are difficult to measure despite their important making it also difficult to differentiate between those meetings and networks that deliver valuable outcomes, and those that are simply meetings and networks that take up valuable time that could be better spent elsewhere.

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**6.4**  
**Enabling**  
**cities and**  
**education**  
**institutions**  
**to work**  
**together**  
**more**  
**effectively**

We identified a number of barriers and enablers to the contribution of education institutions to city leadership. These are grouped into five areas: leadership within city authorities and bodies, education institution leadership, relationships, time frames and distinctiveness.

### ***City Leadership***

Defining cities and who 'runs' them is really important for education institutions seeking to assess and improve their local impact. Our research suggests that the 'city' or 'city region' is understood differently by each university; not in any formal way but through the existing links they have with local organisations. Several universities felt that it would help them if the 'city' – often meaning the city council – were more transparent in its structure and focus. It seemed to be that entry points into local public organisations were hard to find and sometimes policy disconnection made this worse – for instance if two teams or departments in the council had responsibility for innovation policy. This is part of a wider issue for city leadership in the UK where local authorities often focus on public service delivery and do not always have capacity or authority to strategically plan and govern cities. For education institutions, as indeed for many cities, this can be frustrating as it means that it is not always clear who has responsibility and who will make tough decisions that tackle challenges or maximise opportunities.

### ***Education leadership***

From the city perspective and from the view of education institutions seeking to collaborate within their local area, the leadership of education institutions also emerged as a barrier and potential enabler. The governance of institutions and the priorities of management play a strong part in determining the extent of local impact. There is much made of the 'global' and 'local' tension of universities given the changing economy. Many of our interviewees felt that this tension is a false one and that a well managed institution could have clear priorities at

different spatial levels. For example, interviewees at Leeds Metropolitan University spoke of being able to ‘harness the local and global together’. However, these need to be institutional priorities if they are to be taken seriously and to have an impact.

### ***Mapping partnerships***

There are a wide range of boards, partnerships and task groups on which the universities were involved. For example, universities are often represented in the Local Strategic Partnership. Our interviews revealed how much potential contact there was but at the institutional level and at the city level, this did not seem to be captured. Clearly, the separate and distinct interests of academics may mean that partnerships and networks will operate in a silos, however, several universities agreed that there needed to be an element of ‘getting their house in order’ so that they may fully understand the extent of partnership working and the impact this may have. Aston University talked about conducting a mapping exercise to help them understand where in the city region or region they are involved and if they are working smartly, in other words with those bodies and organisations who are influential and effective. These types of activities can form the foundations for a fuller picture of partnership working and a sense of where duplication is happening and can be prevented. It can also help to identify the areas where universities and cities need to work together and the areas where there is no need to do so.

Some interviewees also raised concerns that the new competitive environment between universities discourages collaboration and co-ordination. For example, a study of the New Zealand system suggests, ‘under the new higher education “market landscape” universities compete a lot more and cooperate a lot less.’

### ***Focus on mutual agenda***

When working in partnership, shared and focused agendas that aimed to be mutually beneficial were seen as critical enablers of city leadership. Many of the universities had excellent working relationships with the Regional Development Agencies, which was partly due to funding, but also because they felt they had a mutual agenda and that this agenda was clear. Where working relationships struggled and failed was the places which lacked vision and direction. At the city level, it was harder for institutions and for city authorities to define a mutual agenda. This could be related to the absence of a funding relationship and also to the governance issues already raised.

### **Relationships**

Sustainable relationships between key individuals and teams were seen as significant enablers. However, they are difficult to create and do not exist in every city. This is partly related to staff turnover and the tendency for people to remain in post for limited periods. Whilst universities were seen as much more stable institutions in terms of staff turnover, the labour market in which senior academics and university managers compete may also mean that they do not develop a relationship with the city in which they are based. As such, without dedicated staff to sustain the relationship, it can be hard for city institutions and education institutions to 'keep in touch'. There are also cultural differences between local authorities and education institutions creating barriers to developing relationships. Although there was mixed opinion on how hard it was to organise meetings and find entry points, some people thought there was good and frequent contact and other departments said they had no contact at all with the other institution/organisation.

A key part of this is the role of individuals in driving initiatives forward, both within education institutions and within local authorities. Cultural and community work, the area with the least funding and the most locally focused area of the three, was often led by individual academics or city representatives, whereas, other projects and activities were led by principals, vice-chancellors and chief executives. In itself, this differential engagement depending on an individual's role is not a barrier, but the effect this may have on whether the work is measured and included in city and university strategies is significant.

**Funding** is also seen as a key issue<sup>57</sup>. The issues include research funding, funding for teaching, and third task funding. Funding regimes are often geographically neutral meaning that they do not always have a place-based focus. In the UK research funding is determined using a peer review system, a system which has so far resulted in one third of funding being concentrated in London and the South East of England. The Lambert Review suggested that a dual funding stream might have encouraged homogenised research efforts across the universities and universities taking on more research than they can comfortably manage. Concern has also been raised about the Research Assessment Exercise (RAE)<sup>58</sup> which has been criticised for discouraging, particularly early-career, researchers from taking risky, interdisciplinary research – although this is currently being reviewed as part of the Research Excellence Framework. Funding for regional engagement, sometimes referred to as the 'third

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<sup>57</sup> Patterson, G. (2004) Harmony through diversity: exploring an ecosystem paradigm for higher education: *Journal of Higher Education Policy and Management*, 26(1)

<sup>58</sup> Piatt, W. (2004) and NESTA policy briefing (2007) *ibid*

task', is not delivered from central government but through the Higher Education Innovation Fund (HEIF), which is often linked to past performance and not weighted to regional needs.

Funding and incentives are largely the same thing – funding is the main incentive for activity but does not always work in beneficial ways. All the universities felt that there was a huge benefit to local engagement, especially as students gained so much – practical experience, involvement in real issues, placements which can turn into employment and improved confidence. Also universities, particularly the former polytechnic universities, described themselves as having a 'duty of care' to the communities and environments in which they worked. A big part of the reason the relationship between the RDAs and the university is better than the 'city' and the university is due to the RDAs' ability to fund projects and initiatives. For the RDAs the universities are central to their mission: for many cities there remains an uncertainty about how they can best work with education institutions.

## 7. Embedding education institutions in the fabric of the city

*'The importance of universities and other higher education providers to the national economy is becoming increasingly well recognised. A local, high-quality campus can open up the chance of higher education to young people and adults who might otherwise never think of getting a degree. Higher education now provides the skills and knowledge transfer that enables local businesses to grow and attract new investment to the area. Over and above their contribution to economic regeneration and development, universities and other higher education providers are seen as making a real difference to the cultural life of our towns and cities.'*

John Denham, Secretary of State for Innovation, Universities and Skills, foreword to  
'A New University Challenge'

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**7.1** An often overlooked opportunity for cities and universities to work together to mutual  
**Potential** benefit is on place shaping. The Work Foundation's *Ideopolis* research identified successful  
**place** knowledge cities as having a high quality of place, a distinctive 'offer' for those wishing to  
**opportunities** live, work or invest somewhere, and strong infrastructure. This encompasses a wide range of  
**for** factors, from the physical environment and quality of transport provision to the look and feel  
**universities** of a city, its access to cultural and leisure facilities, its reputation and what combines to make  
**and cities** the city different from other places. And one of the key drivers of physical change as well as  
quality of place in many cities in recent years has been investment by education institutions  
in new and old buildings, from city centre campuses to out of town science parks, responding  
to the growing numbers of students as well as to growing demand for research and ideas.

These changes have by no means always been regarded as positive, with 'studentification' of some areas of cities seen as a way in which the presence of expanding education institutions change the quality of a place for the worse. Nonetheless, there are many positive examples of how cities have changed the quality of their 'offer' through provision of cultural and leisure facilities, helping the university to attract students and staff, and of how universities have invested in physical development and changing the 'feel' of a city in a way that positively enhances that city's built environment and attractiveness as a place to live, work and invest.

**7.2**  
**Education**  
**institutions and**  
**cities working**  
**together to**  
**improve the**  
**quality of**  
**place and**  
**'distinctiveness'**

Interviews in case study cities found that there are many activities taking place to make cities better places to live, work, study and do business. With several institutions looking to expand to accommodate student numbers (for example, Leeds Metropolitan University and the University of Brighton have plans), this will be an important issue going forward. Some examples of joint work are listed in Figure 14.

**Figure 14: Distinctiveness and quality of place case studies**

**Redevelopment:** Leeds Metropolitan University is physically relocating some of their departments to match activity in the city itself. The legal school will be close to legal businesses for example. Physical redevelopment could be capitalised on further as a means to better link education institutions with industry and communities.

**Marketing:** The look, feel and reputation of the cities in which the education institutions are based was regarded as a significant draw for students. Institutions recognised that they were competing not just on the quality of their offer but also on the quality of life offer of the city. Seeing change in other cities and the attraction this has for students and academics, universities in all four cities felt that redevelopment including landmark buildings was needed to continuously renew what the city could offer. For example, Leeds highlights the attraction of the city's leisure and cultural facilities as part of attracting students.

**Cultural milieu:** There are many ways in which education institutions interviewed as part of this project contribute to the cultural milieu of the cities in which they are based. There are lots of cultural activities with a local focus. Examples include Brighton University and CINECITY, The Brighton Film Festival and five different music festivals; Birmingham City University and the New Generation Arts Festival; Norwich School of Art and Design and the International Film Animation Festival.

**7.3**  
**Capturing**  
**impact**  
**and enabling**  
**universities**  
**and cities to**  
**work together**  
**more effectively**  
**on quality of**  
**place**

The impact of education institutions on the quality of place and on distinctiveness is by its nature an intangible phenomenon and, as such, difficult to capture in quantitative or other measures. The impact is explained more in terms of the look and feel and the culture of the city, and so assessed in changing perceptions of businesses and individuals. Any research conducted by cities or universities on their brand may cast light on perceptions about the city and its relationship with the university, however, and enable some assessment to be made of further opportunities to work together to make the place distinctive.

One of the main challenges in universities and cities working together to improve quality of place was, however, the different spatial levels at which universities and cities work. The

University of Brighton, for instance, works across Hastings, Eastbourne and Northbrook. In order to grow effectively, Brighton University is now considering expanding into other areas such as Crawley, as Brighton and Hove physically cannot manage any more students. The city council has a much smaller boundary line than this. There was also a feeling that in some regions the universities were more up to speed with a broader spatial agenda than the local authorities and there could be tensions because of this. Cities that wish to capitalise upon the presence of the university are often likely to need to do so based on a sub regional partnership, and working with the RDA, rather than with just one local authority. Sub regional partnerships may also be important for managing planning decisions – the planning system was cited as an important barrier to more constructive relationships – and considering how to diffuse the impact of ‘studentification’. Lack of collaboration between institutions themselves and a perception of ‘ivory towers’ and elitism about some education institutions were also cited as barriers to cities and universities working together more effectively to improve the quality of place.

One of the main opportunities identified by universities in relation to place was cities capitalising much more effectively on the presence of the university when promoting themselves. Some universities interviewed felt they had a good understanding of the role of marketing ‘place’ to attract students but felt that the ‘city’ did not go far enough to market their universities in terms of potential business investment. They suggested too that the ‘city’ could better understand the value of universities in attracting investment, events, etc. For example, Leeds Metropolitan University and University of Leeds want to get the best students internationally and they need to advertise themselves: Leeds as a city also wants to do this in order to attract investment, businesses and residents. It makes sense for them to work together, but there is some frustration that this does not happen as much as it could.

In addition, cities and universities argued that knowledge transfer should be conceptualised more broadly to ensure that, for example, academic specialisation in improving the quality of place through transport planning or regeneration is applied in the local context. This could be related to local demand and also to the incentives and funding available to institutions to use academic strengths to transform the place in which they are located.

## 8. People: Embedding education institutions in city communities

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**8.1 Potential people opportunities for universities and cities** Investment in people is at the heart of what education institutions do and for cities this is one of the main areas in which universities and cities have a clear mutual interest. The *Ideapolis* framework highlighted the importance of growing the proportion of highly skilled workers and high skill organisations locally, as well as investing in communities and linking up economic and social outcomes in economic strategies. For cities, education institutions offer an opportunity to attract, develop and retain a mix of skills to the city's labour market and to try to ensure that the impact of changes in the wider economy does not exacerbate inequalities – skills are a means to tackle these issues. For education institutions, their core purpose is around teaching and research, but additional priorities at a local level are working with local voluntary and community sectors and using academic expertise to support investment in communities and to widen access to further and higher education.

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**8.2 Education institutions, cities and people** Our case studies identified several ways in which education institutions and cities work together to ensure that the benefits of the knowledge economy does not bypass individuals and communities. A couple of examples are detailed in Figure 15 below.

### Figure 15: 'People' in cities and education institutions

**Skill formation:** All universities create human capital by turning out graduates year on year, but there are also significant activities which are helping non-traditional students to participate. At Aston University, the overwhelming majority of work placement students get jobs in host companies. This has huge implications for SMEs in places like Birmingham which currently do not employ students but is potentially a good relationship building exercise that will enable SMEs to see the value of high-level skills to their businesses. Aston wants to get more local placements to have this effect locally.

**Social cohesion:** The University of Birmingham's Community and University Partnership Programme has two main goals: to address deep-seated disadvantage and social exclusion existent in local areas despite their situation within an ostensibly prosperous region of the UK; and, for University of Brighton to contribute to and benefit from greater engagement with its local and sub-regional communities in order to improve social inclusion, economic growth and quality of life, as well as the quality of education it provides to learners.

**8.3** There are a wide range of measures available to the impact of people focused activities, from analysis of the mix of skills in the local labour market and rates of graduate retention to the outcomes of community based projects. Education institutions can make use of information about graduate destinations in order to promote their courses, whilst cities benefit from higher skilled labour leading to higher productivity (if students are in higher skills jobs rather than coffee shops, of course).

**Capturing impact and enabling universities and cities to work together more effectively on 'people' issues**

The challenge of attracting and, particularly, retaining graduates in cities that have lower levels of graduates and therefore lower levels of jobs remains significant however. In addition, many universities found that they faced significant barriers to attempting knowledge transfer (and retention of students in the area) through student placement, as local employers were wary of employing graduates, particularly if they had never done so and had not been to university themselves. The education institutions we spoke to were committed to meeting these goals: for example in Norwich, the School of Art and Design acknowledges demand from students for local placements and in Birmingham, Aston Business School works hard to secure placements for students within and around the city. However, a lack of engaged local employers, SMEs that may be unwilling to raise the skills of their labour force and in some cases the cultural barriers between business and education, mean that activities are not as successful as they could be. In addition, in some cities, including Brighton, graduate retention can impact on the rest of the labour market as the lack of graduate level jobs sees graduates working in jobs that demand intermediate level skills. This is an area of significant potential for joint working and perhaps co-ordination at a city wide rather than institutional basis.

Overall, the important factors that support education institutions and cities working together on highly skilled people focused activities are the quality of local employment, business culture, and a focus on whole careers rather than just recent graduates. In terms of working with local communities and potentially increasing access to higher education or having a beneficial impact on the local community, one of the key opportunities for universities is to try to keep stronger records of the community projects that are ongoing (many are based on individual contacts and so go unrecorded) and to try and ensure that they forge links between work they are doing in the community and the economic contribution they are making more widely. Cities in the form of local authorities also have a role to play here.

## 9. Conclusions, implications and recommendations

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Our research highlighted that there are many activities in which education institutions can engage at the city level to impact on the economy and that these activities are frequently prioritised in local economic development strategies and in the strategic direction of institutions. These activities aim to support cities and education institutions to respond to their changing priorities in a more knowledge intensive economy. For example, in Birmingham, Aston University works hard to place students in local businesses to ensure that students learn the businesses benefit from graduate expertise and innovation, and the overwhelming majority of work placement students get jobs in their host companies. In Norwich, the Vice Chancellor of the University, the Principals of the Further Education colleges and the council managers all meet to talk about opportunities for collaboration to address economic and education issues such as the growth of high value jobs. In Brighton, Sussex Innovation Centre, working very closely with Sussex University and located on the campus, provides facilities and business incubation for over 70 companies. And in Leeds the internationally acclaimed University of Leeds' Institute of Transport Studies worked with the council on a consultancy basis to help address the congestion and poor transport infrastructure challenges that Leeds is facing. These are many more examples that can be cited and from which universities and cities can learn.

Yet our research also demonstrated that there remain real challenges in ensuring that universities and cities have mutually beneficial relationships. For universities, it is important to note that the emphasis on their importance as drivers of the local economy adds another task to their already lengthy 'to do' list: it is not necessarily their core mission. And whilst some universities have welcomed the opportunity to combine their drive to be a world-class research institution with global reach with a desire to work closely with the local community, other universities have admitted that they find combining the two missions challenging and tend to focus more either on global or more local issues.

Even where universities have a strong focus on working with local people within the local and regional economy, some universities admit that their main contact with local authorities tends to be with those in the planning department when permission for new buildings is sought. Their local contribution tends to be through business spinouts or reaching out to local students and communities; valuable activities but activities of which not all city councils are fully aware, despite the fact that these city councils are formulating economic development plans and considering where to invest money in growing small businesses or improving social inclusion and cohesion.

Uncertainty about how to engage best with universities and make the most of their knowledge assets and community activities was recognised by a number of local authorities as a key challenge. Most cities acknowledge the important role a university can play in the local economy by identifying them as an asset and potential 'tool' in their economic development kit – but sometimes the relationship between the city and the university does not move much beyond this acknowledgement. Our research highlighted that universities become frustrated when engagement is either too little, too late, or too much and too often, without recognising that universities have other missions besides contributing to the locality.

Other local authorities' economic development plans indicate clearly that they are keen to focus more on enabling the growth of private sector industries than working with public sector institutions such as universities, ignoring the role that public sector institutions can play in generating opportunities for private sector growth in a much more knowledge intensive economy<sup>59</sup>. As economic development becomes more important to local authorities, with the Sub National Review of Economic Development and Regeneration having introduced a duty to have an economic assessment, understanding how to work most effectively with a university has become even more important. This is further intensified by the challenging economic times with which we are now faced.

Our research suggests that improving the relationship between universities and cities to mutual benefit, and without imposing unnecessary meetings on either, require a range of measures to be undertaken.

**First, it is vital to recognise that different universities have different missions, and that different cities will have different visions of their economic and social future.**

Many universities, particularly those in the Russell Group, will prioritise 'world class' research and will look to make a global impact. Whilst this does not mean that they will not want to have a local impact too, these institutions are likely to have a different effect on the local and regional economy to institutions that have a more explicitly regional and local focus but may have less international recognition. Similarly, whilst local authorities and sub regional partnerships in places such as Greater Manchester regard their universities as a key element of their success in the knowledge intensive industry, but also have other knowledge assets on which they wish to build, other cities such as Stoke-on-Trent or Hull may be more reliant on their university institutions. The quality of the local economy can also affect the extent to which universities can engage locally, for example there will be fewer local student

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<sup>59</sup> Clayton, N. (2008) *ibid*

placements if fewer local companies provide high quality opportunities. Cities and universities need to develop working relationships that reflect their distinctive missions and circumstances.

**Second, expectations about the impact of universities need to move beyond a narrow focus on science and technology to consider their impact on sectors such as financial and business services and the creative industries.** The idea of knowledge transfer has tended to be narrowly conceptualised, with limited ideas of which sectors and which academic disciplines can engage in knowledge transfer and what this might look like, which are further reinforced by most of the measures of knowledge transfer and economic impact being developed for science and technology industries rather than other areas of research. This can mean that local economic development strategies see higher education as important with regard to knowledge transfer in science and technology sectors and not in other specialisms that the local economic development strategies may be seeking to grow. This misses real opportunities that some universities and cities are already benefiting from: for example, in Nottingham there is a Creative Industries Network that has successfully supported a range of start-ups and growing businesses. In cities like Leeds and Manchester, there is potential for the city to benefit from the university working more closely with key sectors such as financial and business services to support higher quality management, leadership and practices. It is vital that universities and cities look beyond the traditional knowledge transfer sectors in a more knowledge intensive economy.

**Third, cities and universities need to identify in more detail what their distinctive strategies to adapt to the knowledge economy are, and then where they have common goals.** Many of the ideas about the impact of education institutions on job creation, industry linkages and innovation are abstract and in practice are not fully captured or applied. Too often current relationships are based on a vague recognition that there could be benefits, rather than a more detailed review of where there should be benefits. This means that, within cities, local authorities/sub regional partnerships and different higher **and** further education institutions (many of whom provide access to higher education courses or facilitate people moving towards higher education) need to think about what their distinctive priorities are, and then where there is any overlap. To do this, we would suggest that cities and universities should make use of The Work Foundation's *Ideopolis* framework to help assess how the shift towards the knowledge economy creates distinctive opportunities and challenges for both cities and universities. By using the same framework to consider what their core missions

are, it is likely to become easier for cities and universities to identify where they have shared goals and where they do not. During the current economic challenges, cities may need to reassess the importance of public sector institutions such as universities in their economic development and regeneration strategies for the future.

**Fourth, cities and universities need to work together differently on different issues.**

Where there are common goals and opportunities for mutual benefit, universities and local authorities / sub regional partnerships should consider whether this means working jointly on a project, consulting one another but working separately, or simply keeping one another informed but not working together. Research by the *Ideopolis* team shows that having clarity about shared objectives, developing relationships and trust over time, and minimising unnecessary meetings whilst ensuring people are consulted and informed at early stages in project development are all key to successful partnerships<sup>60</sup>. In other words, there is no need to work together on everything, it is important to minimise the meetings that people have to spend time in where possible, but keeping each other informed and involved at an early stage, and identifying projects where joint working really will deliver more benefits than working alone, would help universities and cities work together much more effectively.

**Fifth, Government needs to review the flexibility of the funding and incentives it provides for joint working provided to both universities and to local authorities and sub regional partnerships.** Whilst there is a history of education institutions working within cities, funding streams to support activities which do not have an economic focus have not been prevalent. Therefore, the incentive to work together must lie with the organisations concerned and the belief that joint working will produce mutual benefits. Furthermore, institutions are funded at the individual level which may disincentivise collaborative working. At a time of constrained funding, Government should aim to remove barriers to using funding pots to support cities and universities working together for the benefit of the local economy. This is particularly important during a time when most cities will be facing rising unemployment and will need to manage short term difficulties as well as planning for the medium and long term when the economy will start to grow again and niche areas of research may be a considerable advantage.

**Sixth, city and university leaders need to demonstrate the importance of overcoming cultural barriers that prevent joint working.** One of the biggest barriers to more joint working between universities and cities is that different funding streams, missions of the

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<sup>60</sup> Jones, A. and Morris, K. (2008) *ibid*

institution and even the different language used means that, in practice, many of the individuals on whom successful relationships rely find it difficult to form sustainable relationships. Leaders need to encourage their staff to move beyond language barriers and scepticism about why they should work in partnership to explore where there are mutual benefits from working together. The more projects that demonstrate success, the more likely it is that cultural barriers will be challenged, that both universities and cities will benefit and that, ultimately, there will be economic and social benefits for the people living and working in the cities and regions involved.

At a time when Keynesian spending is back on the political agenda in order to deal with the most significant economic challenges to face the country in a generation, universities offer a real opportunity to cities seeking to increase their knowledge intensity in the short and longer term. The real challenge for cities and universities will be to make their relationship work effectively in the interests of both, and in the interests of the people who live, work and consume in the nearby area.

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