Higher education and local communities

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ABSTRACT
This article examines some roles of higher education in relation to local communities and local economies. After first establishing the increasing significance of local economic planning, three categories of role for higher education in relation to local development are identified: the first as a stakeholder, involving direct engagement with the local economy; the second as a strategic partner and advocate for human resource development and the third, as a service provider, building intellectual capital. The article examines the proposition that the most significant contribution that a university or technikon can make to the development of a locality derives from its recruitment of students from the local community. A research model is presented whose purpose is to provide a framework for the evaluation of the local impact of higher education institutions as service providers. Finally, such local roles for higher education institutions (HEIs) are discussed specifically in the South African context with a comment on the Government’s National Plan for Higher Education.

INTRODUCTION
The Technical and Business Education Initiative in South Africa (TABEISA) consists of a suite of projects supported financially by a combination of European and South African governmental and corporate organisations. TABEISA aims to assist previously disadvantaged South African communities through developing the role of higher education institutions (HEIs) as catalysts for social and economic development. TABEISA is based on a consortium of six HEIs, four in South Africa and two in the United Kingdom (UK). They are: Peninsula Technikon; Technikon Northern Gauteng; Durban Institute of Technology; Eastern Cape Technikon; Coventry University; University of Greenwich, London.

Since 1998, a large scale European Commission funded TABEISA project has focussed on local economic development in the communities around the four technikons through the identification of business opportunities and the development of small businesses. This on the basis of support from Enterprise Centres through which business and technical expertise in the technikons can be exploited to the benefit of local entrepreneurs, some of who are qualifying students from the technikons themselves.

In this article we examine the emerging significance of local economies particularly from the point of view of changes in the world economy since the mid 1970s, and review the roles that HEIs can take in terms of social and economic development within their local communities. On the basis of this we examine the proposition that the most significant economic and social contribution that a university or technikon can make to its local community derives from its recruitment of students from that community, and outline a research model whose purpose is to provide a framework for the evaluation of the local impact of higher education institutions.

The thrust of the article has contributed to the analytical base which has informed the strategic direction of the TABEISA initiative and provided a persuasive rationale, for the successful acquisition of funding support in excess of SAR 100 million to date.

While the article includes some European policy examples, it is not suggested that European solutions are necessarily relevant in the South African context. However, while the European and South African situations are very different there are some useful

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parallels and in the wider context of the global economic changes described, the article in its later stages reflects on the meaning of its conclusions for the South African higher education review currently being implemented.

**THE SIGNIFICANCE OF LOCAL ECONOMIES**

For a number of years the growth of local and regional economic development programmes has been a significant feature of efforts to address economic decline and modernise the economies of the developed world.

The shift of balance from national scale economic initiatives to those which embrace local and regional economies is characterised in innumerable ways. Frequently reference is made to the end of the nation state, the emergence of “sovereign economic regions” and “city states”. In the European Union (EU) development agencies commonly refer to a “Europe of the regions” and routinely characterise localities by reference to the local and regional strategies pursued in them. So, in the UK, Liverpool and Birmingham are referred to as “regenerating cities” replacing old industries with new. South Wales as an “inward investment region” and the South West of England as a “restructuring semi rural region”. It is not that local and regional economic development strategies have replaced the need for good national economic management. Rather, they have now more fully emerged as the complement to it (Amin & Thrift 1984).

So why has this happened? Why are local and regional economic development strategies given increasing emphasis? There is some agreement in the literature on the forces acting to bring about this new equilibrium. They include globalisation: by which is meant increasing economic integration across the world: a process that has contributed greatly to the mobility of investment funds, the development of multi national corporations and the shifting of jobs around the world in the search for what is regarded as better value. Meanwhile the structure of organisations has changed (out sourcing, sub contracting, strategic alliances, etc) and increasing numbers of smaller firms are linked into supply chains for larger companies. Other forces for change include technological development: enormous advances in communications, manufacturing methods, and information processing, along with more general changes relating to patterns of consumption (Kanter 1995).

These significant transformations in the nature of the capitalist world economy since the mid 70s have had major implications for economic development strategies. The stability of the old production systems and markets have been undermined. In the context of “footloose investment” the place for that investment is increasingly a choice from many alternatives rather than a given. Of course, many of these trends are as important in a national context as in a global one. Investment decisions are not only made by multi national corporations or companies operating in global markets. At local and regional levels the ties between many smaller companies and their locations are more tenuous. And while most companies may not have an international scope for their investment decisions they nevertheless are inclined, more than in the past, to choose their location from a number of possibilities.

These and other new forces acting on our economies mean that increasingly the economic fortunes of the city or town depends more upon the success of local development activity than in the past. In this more fluid economy the aim has become to thrive locally and success, it is thought, will come to the towns, cities and regions that do the best job of unlocking those economically relevant resources that distinguish one place from another. As a consequence, the economic fortunes of a nation now depend increasingly upon the aggregated up successes of local development activity (Kanter 1995).

In this environment, local agencies are finding new and enhanced roles for themselves, and such local agencies, include Higher Education Institutions (HEIs).

**HIGHER EDUCATION AND ECONOMIC DEVELOPMENT**

Most economists now agree that in the main it is the human resources of a place, whether it be nation, region or town, not its capital or its natural resources, that ultimately decides the character and pace of its development. While capital and natural resources are passive factors of production, human beings are the agents who accumulate capital, exploit natural resources, build social economic and political organisations and carry forward development (Harbison 1973).

The principal institutional mechanism for the development of human skills and knowledge is the formal education system and in the past, many nations have assumed that rapid expansion of the number of places in education is the key to national development i.e. the more education the more rapid the development. While there is evidence in support of the case that the expansion of educational opportunities has contributed to aggregate economic growth, any evaluation of the role of education in the process of economic development should go beyond the analysis of that single statistic and consider also the pattern of that growth (Dennison 1962; Solon 1957).

In fact, after decades of huge investment and rapidly expanding enrolments in formal education, the plight
of the average citizen in many parts of the world seems little improved. Absolute poverty remains a chronic problem and economic disparities between rich and poor often widen rather than narrow. One reason for this is that educational systems, more often than not, reflect the nature of the society within which they are operating. If the society is not egalitarian in its economic and social structures, the educational system will probably reflect that bias in terms of who is able to proceed through it successfully. By reflecting the socio economic structures of the societies in which they operate, educational systems tend to perpetuate them and moreover can have the effect of increasing rather than decreasing income inequalities (Gould 1993; Simmons 1974).

The mechanism for this relates to the generally positive correlation between level of education and level of earnings over a person’s lifetime. This holds true especially for workers who are able to complete secondary and Higher education where the income differentials over workers who completed only part or all of their primary education can be typically from 300% to 800% (Todaro 1996). It follows that income inequality would be reinforced if students from upper income families are represented disproportionately in secondary and higher education enrolments. To put it the other way round, if for financial or other reasons the poor are effectively denied access to good secondary and higher educational opportunities, the education system can perpetuate and even increase inequality. And even if they can get access it is not much use if they find they cannot succeed. Access with failure is no real access at all.

But in addition to exacerbating issues of social injustice with the various negative economic effects this carries, education can also have more direct detrimental effects on economic development in an area. A number of studies have shown a positive relationship between the educational attainment of an individual and his or her propensity to migrate. When this migration is across a national border it has been traditionally referred to as the “brain drain”. When we add this concept of migration to the increasing importance of localities as economic units, we effectively create a brain drain concept for regions, towns and smaller localities competing for investment (Gould 1993).

These various effects together with the new significance of locality demand the shaping of a new relationship between higher education and economic development. And it follows from the above that any set of policies designed to make education more relevant for economic and social development must operate simultaneously on two levels. Firstly, policies largely external to the education system designed (for example) to alleviate constraints on upward mobility for those in disadvantaged communities and disincentivise local brain drain effects. Secondly, new policies and practices internal to education systems designed to enhance access, provide support and facilitate success for nontraditional students. But in the context of emerging local economic strategy, the roles of higher education institutions should not be confined to the latter area. In fact the scope of HE roles is increasingly reaching beyond education policy and practice into social and economic domains. Borrowing from Kypri and Clark (1977) on the Further Education Sector it is possible to identify 3 distinct types of role.

1. higher education as a stakeholder direct engagement with the economy,
2. higher education as a strategic partner advocacy for human resource development,
3. higher education as a service provider building intellectual capital.

The first of these: higher education as a stakeholder, positions higher education institutions as integral parts of the local economy. Each such institution engages with that economy in a number of ways. As an employer, a landowner, a purchaser, a supplier, and so on. Indeed, it is not uncommon that higher education institutions are the most significant single component of their local economies. Not unusually, for example, being one of the largest local employers. In financial terms, the impact of an HEI on its local economy is a function of four categories of spending: Expenditure on goods and services; expenditure by employees; expenditure by students; multiplier effects of the other expenditures through the supply chain.

Looking at this activity nationally, the economic impact of higher education as a stakeholder is apparent. In 1995/96, in the UK, expenditure by HEIs was about £11 billion. This spending generated a further £31 billion as knock on or multiplier output through the supply chain, making the total output generated by the higher education sector in the UK as over £43 billion (SAR645 billion). Interestingly, on average, each £1 million of total expenditure by higher education institutions, generated about 54 full time equivalent jobs. By comparison, an average £1 million of export earnings created only 31 full time equivalent jobs. HE is therefore relatively labour intensive, an interesting attribute in terms of its local significance (McNicholl et al 1997).

This role of higher education as a stakeholder in the local economy, is not new, it has always existed. But where a higher education institution takes as part of its mission support for local economic development, it follows that such an organisation could be looking at its own practices. For example with regard to the recruitment of local employees or the nature of its supply chains in terms of the prospects of SME development. Many companies now put a lot of thought into developing close relationships with their suppliers in order to optimise their own positions with
regard to value for money, quality or security of supply (Christopher 1998). Not many higher education institutions do this, but in the EU funded TABEISA project, such efforts have been made. For example at Technikon Northern Gauteng, Matsimela Enterprise, a local small business started through the TABEISA project provides carpets to the Technikon. At Durban Institute of Technology, Alpine Kitchen Food and Streetwise respectively provide catering services and furniture to the institution. Again these are both local small businesses developed and mentored through the TABEISA EU project. Peninsula la Technikon also supports local business in the surrounding community, including Tel a Care which provides telephone maintenance and Belinda’s Upholstery which provides curtaining to the Technikon. These businesses also were developed under the auspices of the TABEISA EU project.

The second role for higher education is that of a strategic partner. Here higher education institutions are envisaged as an integral part of a seamless web of organisations committed to the development and achievement of local economic strategy. Working with local councils and a range of other agencies with a strategic interest in economic development (such as inward investment boards, regeneration partnerships and other development agencies) HEIs can achieve routine involvement in such things as demographic projection, labour market analysis and economic strategy development.

Such involvement can bring considerable advantage to institutions by virtue of the fact that potential consumers of education commonly receive labour market signals sufficiently clearly to influence their decisions not only in terms of whether to stay on in education (Pissourides 1981) but also with regard to the subject area for which they will apply. Guerny (1987) for example demonstrated a correlation between university applications and graduate employment statistics which illustrated how deterioration in labour market conditions in an industry leads to a decrease in the number of higher education applications for relevant subjects. Even in less explicitly vocational higher education disciplines such as arts and social sciences she found that a 1% increase in subject specific graduate unemployment resulted in a 0.11% decrease in higher education applications. The corresponding figures for agriculture, engineering and science subjects were greater than 0.2% (for the same percentage graduate unemployment increase) (See Johnes 1993 for a review of such phenomena). Such studies illustrate how though direct involvement as a partner in economic strategy formulation and labour market analysis, HEIs can achieve a deep understanding of future markets for their services, and even influence those markets.

Furthermore, in the context of local economic planning, higher education institutions have much themselves to bring to the strategic partner role. They tend to know a lot about local industry sectors and can bring their general expertise in the area of education and training to the forefront in economic development planning. In the UK it is still not uncommon for development agencies to create strategy centred on infrastructure projects such as building motorways and bridges with the relative neglect of human resource issues. An echo of the same sort of mistake that also used to be common in the sphere of international development. Whilst of course there is truth in the idea that infrastructure projects can be significant in the context of local development, it remains the case that education can be pushed to the margins, particularly if those who know the importance of education are not in the centre of the strategy process. A classic example of such a phenomenon is the redevelopment of the East London “Docklands” area in the UK in the 1980s. The project involved the construction of commercial buildings, infrastructure and high prestige housing but did not include a training strategy for the first seven years of its operation. As a consequence, most of the newly created jobs went to people either moving into the area or commuting, and the project was repeatedly criticised for failing to ensure that local people benefited from the development activities (Forrester et al 1998). Against this tendency, higher education can function effectively as an advocate for human resource development as a central plank of local economic strategy.

The third and most important role for higher education institutions is that of the service provider. Uniquely, higher education has always been primarily about the development of intellectual capital and the two sides to that coin are firstly, learning and skills development in individuals and secondly, research. R the accreditation of prior achievement; flexible access to open/distance learning often based on new information and communication technologies: not least the e university concept.

In addition, new approaches to the curriculum through which students focus less on facts and more on principles and concepts, and through this become more flexible, intelligent and enterprising in the workplace. And of course much more attention to entrepreneurship as a key skill relevant nowadays in many walks of life.

But new approaches can focus directly on social as well as economic benefit. In the UK, there has been a shift in national government policy from the idea of “increased participation” in higher education where a higher proportion of people enter the higher education system, to the newer concept of “widened participation” in which active steps are encouraged, not just to increase the rate of participation by “creaming off” people from middle rather than just upper income families, but rather to seek to recruit
students from genuinely disadvantaged and relatively excluded groups, were necessary nurturing them in such a way that they can participate effectively and succeed in higher education (HEFCE 2000). This being an explicit attempt to rectify rather than replicate current social inequalities.

These ideas have led to a scheme under which all UK universities are asked to develop Widening Participation Strategies which can range in their scope from new approaches to learning and teaching and student support, to human resource policies and more general, facilities from child care to estates (HEFCE 2000). On the basis of these strategies, in the UK, universities actually now get more government money (a 5% premium) for students originally domiciled in localities categorised as disadvantaged than they do for other students. Currently, this categorisation of students is rather crude and it remains to be seen whether the scheme will be successful. However, it does at least represent a recognition that simply increasing the amount of higher education alone is not a sound basis for development. Moreover, such efforts illustrate how the conventional service provider role for higher education is also changing its scope and character.

This social function for higher education institutions has a close connection to local economic development. For in the UK at least, improving access to higher education for relatively disadvantaged communities of people is in essence a local process i.e. for those relatively excluded from the benefits of affluence the only alternative to not attending a university is attending a local one. Otherwise the financial and domestic barriers to relocating effectively excludes them from participation. This leads us to the proposition that, in both social and economic domains, developing the skills of local people has the greatest local development effect. Arguably, when examining the link between higher education and local economies one should recognise that probably the greatest potential impact a university or technikon can achieve derives from its recruitment of students from the local community. This may not be high prestige work, but perhaps it should be, as it positions some universities and technikons at the forefront of social and economic change for those communities who most need it. This link between local communities and local economies is a basic feature of the TABEISA conception of local development.

**A MODEL FOR EVALUATING LOCAL IMPACT**

We will now qualify the general proposition developed above that, in its role as a service provider, the most significant local impact that a university or technikon can contribute is achieved through the recruitment of local students, and then present a research model for the evaluation of local impact.

In the first place, we must recognise that the general proposition is predicated on an assumption that those who study locally will subsequently work locally otherwise the enhanced skills and capabilities that such people represent would be lost to the local economy. But, we have noted above a positive correlation between educational attainment and propensity to migrate. The fact that the new skills and capabilities are as a consequence deployed outside the local economy does not erode the general economic and social benefit of increased participation in higher education but in the local context the loss of such skills and capabilities does constitute a reduced benefit. On this basis we can refine our general proposition and argue that maximum local impact is achieved through the recruitment of local students who remain local after graduating (thereby contributing their new skills to the local economy).

Such considerations have led us to develop a research model for use in the evaluation of local impact of a technikon or university through the capture of patterns of student location and migration. The model (figure 1) identifies three overlapping populations: people living within a particular locality (X), people living outside the particular locality (Y) and people who are students within the local university or technikon (U). The model’s focus is on the service provider role for higher education, in particular relating to the social benefits of participation and the economic benefits on workforce supply or development through the added value that accrues as skills and knowledge are enhanced. Additionally, some stakeholder effects are also relevant in relation to student spending. Movement of people between categories can have beneficial and detrimental effects on the HEIs local economy depending on whether they add up to a net accumulation or depletion of skills to that local economy. Thus, a local person who leaves the locality following higher education is a loss to the local economy, whereas local people (or indeed those who come in to be educated and) who subsequently stay are a gain. The model provides a framework for assessing the net effects of such patterns of movement, as catalysed by the HEI.

Arrows indicate possible movements between the categories and we have identified particular patterns of such movement in order of local economic benefit as follows.

1. **A ↭ U ↭ C**  Positive social impact through participation
   Positive economic impact through workforce supply (full time programmes) and workforce development (part time programmes)

2. **B ↭ U ↭ C**  Positive economic impact through spending
workforce supply and inward mobility

3 A → U → D Positive social impact through participation only
Negative economic impact through outward mobility

4 B → U → D Positive economic impact through spending.

TABEISA is currently establishing a project to pilot the model. The work will define certain localities and communities of interest (in South Africa and UK); identify the unit of analysis (e.g., department or whole institution) and populate the model with data. This work will, we hope, establish some initial benchmarks and in due course allow comparisons of institutional impact within South Africa, within UK and between South Africa and UK. We look forward to reporting our findings in due course.

SOUTH AFRICAN HEIs IN THEIR LOCAL ECONOMIES

Rooted in global economic trends the above arguments in general apply for South Africa as elsewhere. But local economic strategy has a unique additional significance in the South African context. South Africa is a very significant economy overall but the nature of that economy is unique and as a country, South Africa does not fall into any simple characterisation of developed or developing countries. It seems clear that a major issue in South Africa remains the distribution of wealth, and rectifying the inequalities that are the legacy of past times. And whilst inequalities exist in all countries, we have in South Africa an unusually clear cut moral imperative relating to the explicit link between inequality and race established so powerfully by the Apartheid system of government. Moreover, the thinking going on across the world about the significance of localities as a focus for economic planning is of special interest in the South African context. This is because in South Africa, in
particular, the dimensions of inequality, race and location are very closely intertwined not least for example because of the Group Areas Act which as part of the statutory framework of Apartheid effectively systematised huge economic differences between legally distinct localities. So in South Africa, the need to focus on localities in terms of economic strategy formulation is very clear.

It is not suggested that local economic strategy, particularly as applied to disadvantaged areas is in itself a solution. It is also necessary to break down the boundaries between historically distinct localities and find ways of encouraging movement of people across such boundaries, a movement which is beginning to happen. But that said, the importance of location as a focus for economic strategy in South Africa would seem to be indisputable. On the basis of this point combined with the above argument on the roles of higher education as an agent for furthering local economies it follows that in South Africa, those higher education institutions located in previously disadvantaged communities must be properly resourced, nurtured even, and encouraged to develop their institutional strengths and use them in the ways discussed above.

It is interesting to reflect on this point in the context of the National Plan for Higher Education (NPHE 2001) and more particularly, the merger of institutions that is resulting. While there is some logic in the idea that larger organisations, with their greater institutional strength and influence can, all else being equal, more effectively contribute to economic development along the lines discussed above, if by creating a smaller number of larger organisations South Africa breaks the links between previously disadvantaged higher education institutions and their localities, then the capacity of these Technikons and Universities to help rectify rather than perpetuate the inequalities of Apartheid, could be weakened. This is not necessarily an argument against mergers rather it is an argument to do it only when or in such a way that it does not make higher education more distant and less able to focus on the needs of towns and other localities which have been previously disadvantaged.

THE TECHNICAL AND BUSINESS EDUCATION INITIATIVE IN SOUTH AFRICA

On the basis of the sort of thinking outlined in this article, TABEISA has sought to develop and represent a catalogue of good and innovative practice of the sort that is needed to further higher education’s capacity to support economic development and social justice in a local context.

TABEISA is focussed on higher education institutions that pride themselves on their economic relevance. The consortium currently includes historically disadvantaged Technikons: institutions which are ideally located in relation to historically disadvantaged communities. TABEISA’s focus includes the development of curricula and learning and teaching styles which encourage enterprise and develop entrepreneurial skills amongst students. TABEISA develops learning materials in which these skills are embedded. TABEISA has also created the means by which people from these local communities can develop business plans, products, services and small businesses. This is done through the TABEISA Enterprise Centres, currently at the rate of about 100 SME’s per year. All of these things add up to a repertoire of activities within and around our higher education institutions which enhance the level and sophistication of the institutions’ involvement in the development of their local economies. Moreover it is recognised within the TABEISA consortium that the European partners are also benefiting from this thinking: both well positioned in relation to areas of social deprivation in need of economic regeneration. TABEISA is therefore an international consortium of genuine partners learning from each other’s thinking on the role of HEIs as catalysts for local social and economic development in both South Africa and the United Kingdom.

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