

Small Gains for Big Investment

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A study into regional universities suggests the benefits aren't that great.

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It is widely assumed that Australia's regional universities substantially change how many regional students attend university and the growth of local businesses.

These are plausible assumptions. But are they backed by evidence?

In a recent report for Grattan Institute, *Investing in Regions: Making a Difference*, we compared cities of a similar size and found that private-sector growth, university participation and the number of people staying in their home town were similar, whether or not there was a regional university.

Other studies about the effect of a local university simply calculate the direct economic effect of a regional university, particularly through employing people locally. But this view reduces universities to large-scale government employment schemes.

These studies do not show whether the government funds would have an even greater effect elsewhere. How can we tell whether the local jobs are a good pay-off for the spending?

Consequently, our analysis for Grattan Institute compared the economic performance of cities with similar size and location, with and without a significant tertiary education sector. We looked at population growth, private-sector jobs growth, unemployment rates and innovation (as reflected by patent applications).

On all these indicators, the economies of cities with a university develop no faster than those without. On average, population and private-sector jobs grew faster outside university cities. Unemployment rates were similar, as were the rates of patent applications and the growth in the number of patent applications across a decade.

We shouldn't be completely surprised. Canberra has not developed a substantial hi-tech sector even though it is home to the Australian National University, with one of the largest and most highly rated research faculties in Australia. The pattern suggests universities will increase local private-sector growth only if there are already many businesses nearby.

Another key argument is that regional universities encourage local students to go to university and school-leavers to stay and work in their local region after university.

Of course, there is a correlation that students who grow up in a region with a university are likelier to go to university. However, the correlation between participation and a local university is explained by the common factor that bigger cities tend to have higher participation and more universities.

We looked at all 22-year-olds in the 2006 census. They disclosed where they lived in 2001, when they were school-leavers. We analysed the proportion who went to university and whether they still lived in their home town in 2006. We found that in regions of similar size, about the same proportion of students went to university and the same proportion stayed in their home region, whether or not there was a regional university. We are less confident about the influence of a university on participation and retention in cities larger than 200,000 people.

Some have claimed that our analysis overlooked the effect of regional universities on surrounding areas. But if a regional university does not affect participation in its home town, it is unlikely to have this impact farther afield.

Others have pointed to a 2008 Australian Council for Educational Research graduate destination survey. More than 65 per cent of regional university graduates from 2002 worked in regional areas in 2008. However, this statistic sheds no light on what would happen if there were fewer regional universities. How many students would instead leave their home town to study and return afterwards?

To assess the influence of regional universities more rigorously, one must compare cities of similar sizes, with and without a university, and analyse the number of people who live in their home region after graduation age. This is precisely the analysis we conducted.

While counter-intuitive, our results fit with other strands of the literature. Student choices to attend university are primarily driven by their socioeconomic background, the educational background of their parents and school quality. Proximity to a university campus has little effect.

Our work does not imply that all regional universities should be closed. Universities can make a valuable contribution to the social and cultural life of their community. A local university may be a more convenient service.

But regional universities are expensive. They cost 5 per cent to 50 per cent more a student than a capital city campus. If regional universities do not materially increase tertiary participation, it is reasonable to ask whether the additional funding could encourage this in other ways. For example, would regional school-leavers go on to tertiary study if there were additional funds to assist them to study in a capital city or larger regional centre?

It is also reasonable to ask whether the local social, cultural and convenience benefits of a regional university justify the additional cost.

Higher levels of education and skills increase productivity and promote economic growth. We need an evidence-driven debate on how tax dollars can best achieve these aims.

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