

Responding to Findings of the Foster Report with a Socioeconomic Impact Study

Abstract

This paper considers the usefulness of the Socioeconomic Impact Report ('SEIM' Study) generated by Economic Modeling Specialists Inc. (EMSI) for Further Education colleges, particularly in light of the recommendations made by Sir Andrew Foster in the 2005 Foster Report. The Foster Report exhorts individual FE colleges to consider taking an active role in promoting their colleges on a local and national level by objectively demonstrating the economic and sociological contribution that individual FE colleges are making to individual learners, taxpayers, and local economies. The Foster Report urges that FE colleges evaluate the value for money contribution that they are making in these categories. The SEIM Study provides the sort of self-evaluation recommended by the Foster Report, giving a clear and objective value for money evaluation of an individual college along the lines specified by the Foster Report.

Introduction and Background

The SEIM Study

The SEIM Study was developed by EMSI (formerly CCbenefits Inc.¹) with the goal of evaluating the sociological and economic impact made by Further Education colleges on individual learners, the taxpayer, and on local economies. The SEIM Study compares the money spent on an FE college education with the money that is generated by that education, thus giving an objective method of determining whether FE colleges are a worthwhile financial investment. This is considered from both the perspective of the individual learner, as well as from the perspective of the taxpayer. The SEIM Study also evaluates the contribution that an individual FE college is making to its local economy by calculating the added income generated within the local economy by the day to day operations of an FE college, the additional income generated by learners attracted to the region by an FE college, and the income growth that comes from the increased salaries generated by workers with greater educational qualifications. The end result is an objective evaluation of the impact that individual FE college are having on their local economies. The need for undertaking a thorough quantification of these contributions at the local and national level was recently emphasised by the review conducted by Sir Andrew Foster and published in the Foster Report, 2005. The close correlation between the results generated by the SEIM Study and the recommendations given by the Foster Report to FE colleges will be considered below.

The Foster Report

When Sir Andrew Foster submitted his 2005 report on Further Education colleges, he introduced his vision for FE colleges as members of a coherent *system*, not an isolated *sector*. FE colleges must work within the larger education system to serve learners and employers, thus contributing to the competitiveness of local communities and the entire United Kingdom in the global economy. He writes, "We think the distinction between a system and a sector is an important one. The current emphasis on institutional groupings of providers into 'sectors', should be switched to an emphasis on learner achievement and community impact. Instead we need to see FE colleges as a vital part of a coherent

¹ EMSI has recently merged with CCbenefits, Inc.

system that responds to learner, societal and economic needs.”² Sir Andrew goes on to write, “The potential value of the FE sector should arise from its contribution to the success of the economy, employers and individual learners. Only secondarily is it about the success of FE providers and those who manage and regulate them. We need a simple revisitation of purposes and values, and clear priorities, so that the system may be re-engineered around them.”³

Additionally, the Foster Report insists that not only do FE colleges themselves need to see that their primary mission is to contribute to these needs, but also individual learners and local economies need to have these contributions clearly demonstrated to them. And, according to the Foster Report, the burden falls on individual FE colleges to demonstrate the social and economic benefits of FE colleges to the local economy and to individual learners. “There is a strong need for articulate FE college principals to be explaining the services they give to society and how colleges can make a significant contribution to the economy and to developing fulfilled citizens.”⁴ This need for colleges to demonstrate their contribution to society stems from the need for the FE system to inspire greater confidence among the public. Whilst the Foster Report acknowledges the existence of a very small minority of underperforming colleges, the bulk of any negative public opinion is fueled by misperception.⁵ Such misperceptions can easily cause real damage by discouraging potential learners and by obscuring the benefit of an investment in an FE college. Therefore, FE colleges have a real need to confront the question of their contribution to society with objective evidence in a way that can be articulated at the local and national level. The Foster Report insists that “All college principals should be active locally in promoting their services and the college brand and vision to local stakeholders. Principals of the larger FE colleges, in particular, should take on a promotional role at regional and national level.”⁶

Again, in its final summary of recommendations, the Foster Report concludes, “All FE colleges should be active locally in promoting their services and the college brand and vision to local stakeholders. Some principals, for example of larger colleges, should take on a promotional role at regional and national level. At the heart will be the need to simplify and explain how society will benefit. It will also be important that staff working in FE colleges leave behind concerns of the past and move to project the extended benefit they will bring.” It was these and similar recommendations that led to the formation of the 157 Group of largest FE colleges. The group took its name and mission directly from paragraph 157, which called for “a greater involvement of principals in national representation, in particular those from larger, successful colleges” and saw “a strong need for articulate FE college principals to be explaining the services they give to society and how colleges can make a significant contribution to the economy”.

The difficulty of this task is that not many FE colleges have the ability to give objective evidence for these sorts of contributions. It may be easy to collect a bit of anecdotal evidence for the power that an FE college has exercised for social inclusion. But it is another thing entirely to give verifiable evidence for the social impact that a particular college has had on its local community. And though the economic benefits that a particular FE college is giving to its community may be self evident to some, most colleges do not have the tools for compiling and analysing the data which would clearly demonstrate this fact to others.

However, the SEIM Study acts as a helpful tool, well suited to measure and demonstrate the sorts of contributions that an FE college makes to its local community. The SEIM Study, developed by Economic Modeling Specialists Inc. (EMSI), is a comprehensive economic study designed to quantify the economic benefits of FE colleges in terms of local or regional economic benefits, individual learner benefits, the return on taxpayer investments, and the social benefits enjoyed by the community that come as a fruit of higher education. The SEIM Study provides an economic growth analysis, which quantifies the increased

² Sir Andrew Foster, “Realising the Potential: A Review of the Future Role of Further Education Colleges,” (2005). 2.

³ Ibid. 15.

⁴ Ibid. 40.

⁵ “Poor provision is concentrated in a significant minority of FE colleges. Though the number of colleges which are judged inadequate is falling the position is still unacceptable. . . . The situation must be addressed as it has a negative impact on learners and debilitates and dents confidence in FE colleges.” (Ibid. 27).

⁶ Ibid. 40.

economic activity in the local economy resulting from the presence of the college. The Report also includes an investment analysis, evaluating the return on the investment put into colleges by individuals, learners and taxpayers in general. This model has been used throughout the US and Canada, has been peer reviewed, and relies on solid economic theory. The SEIM Study gives an objective and quantifiable measurement of the social and economic contributions that a particular FE college makes to both the local community and to the individual learners in a way that corresponds closely to the criteria suggested by the Foster Report.

FE Colleges and Local Economic Growth

The FE system is wrestling with a burden of regulation, a lack of clear mission and focus, and a perception that it is not sufficiently supporting UK workers and the UK economy. Such concerns motivated the commissioning of the Foster Report by the Secretary of State for Education and Skills and the Chair of the Learning and Skills Council. Sir Andrew Foster was given the task of identifying “the distinctive contribution FE colleges make to their local economies and social inclusion, their particular mission, and what needs to happen to transform them.”⁷ Sir Andrew’s response included a number of suggestions for the simplification of the system, for improving the approach to skills and for addressing other pressing needs within the FE system. However, when it came to identifying the economic and social contributions of FE colleges, the Foster Report essentially suggests that this is something individual colleges need to be demonstrating on a local level. Though he argues that FE colleges need a solid national, and even international, reputation, it must be a reputation which manifests itself in its contributions to the local community and therefore must be measured at the local level.⁸

Much of the push for UK skills development to be more demand led comes from the perception the UK is falling behind other OECD nations in terms of workforce skill levels and responsiveness of colleges to needs of local industry. For the UK to continue to compete internationally, it must ensure that colleges are supplying valuable skills to UK workers, which also implies that these skills match the expectations and demands of local industry. And, in order for colleges to realise the potential of local skill development in the future, communities must first recognise the present economic value of skills already created by FE colleges’ provision.

The SEIM Study, developed by EMSI, quantifies the social and economic contribution of FE colleges to their surrounding communities. Beginning with the economic contribution, the SEIM Study calculates the impact that an individual college makes annually in the following three categories:

- Income brought into local economy from college operations and capital spending
- Income brought into local economy by out-of-area learners
- Increased regional income generated by enhanced worker skills as a result of college provision

The last of these three categories is a frequently overlooked element of a college’s contribution to the local economy. Yet, the additional income generated by a more skilled and educated workforce is likely the greatest contribution that a college is making to the local economy. A SEIM Study performed for Warwickshire College in May 2007 demonstrated that their increased income from enhanced worker skill was well over twice as much as the other two categories combined. The sum of these three categories gives the college’s annual contribution to the local economy. Warwickshire College’s SEIM Study demonstrated that their total annual contribution to the county economy was over a million pounds each year. Clearly, this is a significant contribution and its documentation gives the college the evidence needed to establish the sort of reputation described by the Foster Report. The ability to give a clear and quantified account of the college’s contribution, rather than an anecdotal description of the college’s contributions, puts the college in a position to build a reputation as an essential element of the local economy.

⁷ Ibid. v.

⁸ Ibid. 1-2.

FE Colleges and Social Inclusion

The Foster Report was commissioned to identify the FE system's contribution to both local economies and "social inclusion." Throughout the Foster Report the expectation is repeated that a successful FE college should be able to demonstrate its contribution to quality of life for the individual learner as well as for the community in general. But, though an education's potential for contributing to social improvement may be intuitively felt by many, objectively demonstrating the contribution that an individual college has made for the social betterment of the community is not easily done.

However, though certain elements of social inclusion may remain unquantifiable, the social externalities that can be measured are useful in evaluating a college's contribution to the social betterment of the public. First, of course, education is correlated with higher earnings (as we saw above), and thus FE institutions help reduce income inequality and associated social problems. Furthermore, attaining higher levels of education statistically corresponds to reduced medical expenses (associated with obesity, smoking and mental illness), reduced crime and a lower unemployment rate. The changes in lifestyle brought about by further education lead to greater social inclusion for learners by making them more employable, giving them greater access to opportunities and resources, helping them to develop a greater sense of personal responsibility, encouraging participation with their local community, and otherwise helping them to integrate with society. Thus, these changes in lifestyle bring with them a set of social savings that can be quantified in terms of reduced costs to taxpayers, employers, learners, private homeowners, or whoever else stands to benefit from an educated community. This saving is calculated by the SEIM Study and demonstrates the significant contribution that FE colleges are making to social inclusion.

Of course this information does not exhaustively quantify a college's contribution to social inclusion, but it does testify to the sort of easily overlooked contribution that an FE college makes to its surrounding community. Most evidence of social inclusion comes as either anecdotal personal testimony or demographical surveys. For instance, the Foster Report includes a number of quotes from learners describing the opportunities that their education has given them. It also lists the percentage of FE learners that come from lower socioeconomic groups, relatively disadvantaged postal codes, minorities, or who have learning disabilities.⁹ And though these may be important methods for demonstrating the FE system's impact on social inclusion, the additional figures provided by the SEIM Study can further enhance understanding of how FE colleges are contributing to their surrounding communities.

Ioan Morgan, principal of Warwickshire College and first chair of the 157 Group of large colleges, first came across the SEIM Study while researching the FE system in the United States with Sir Andrew Foster. He later had EMSI conduct the 2007 SEIM Study for Warwickshire College. Upon seeing the kind of objective evidence supplied by the SEIM Study, his reaction was "I immediately thought how marvellous it would be for [the Minister] to be able to go to the Treasury and say: look at the fantastic contribution these colleges make in terms of returns to the taxpayer."¹⁰

Value for Money

Throughout the Foster Report, Sir Andrew repeats the need for a close "value for money" analysis of the FE education. Over twenty times the Foster Report calls for a scrutiny of the value for money return that FE colleges are producing. In particular, value for money analysis plays an essential role in the self assessment which the Foster Report encourages FE colleges to begin. "The key responsibility for quality improvement rests with colleges themselves. Self assessment, based on quantitative and qualitative measures that are tested with the customer and conducted through rigorous benchmarking and peer review, is the way forward for colleges." This self assessment must be ". . . rigorous and effective and include value for money measures and benchmarks."¹¹ The hope is that this value for money analysis will

⁹ Ibid. 21.

¹⁰ Peter Kingston, "Colleges Measure Up," *The Guardian*, 9 October 2007.

¹¹ Foster. 24.

become a part of a longer term self assessment for FE colleges. “The medium term vision must be that stage by stage we move to a system in which local colleges which are locally responsive, demonstrate excellence to learners and employers, and value for money, are rewarded with increased freedoms and flexibilities.”¹² Later, when distinguishing between the responsibilities of individual colleges and local commissioning functions, Sir Andrew again insists that value for money analysis should be the job of individual colleges.¹³ He also maintains that a modernisation of the inspection system should also include a focus on value for money.¹⁴

However, defining the “value” of an FE college’s education in quantifiable terms and compiling reliable data for this calculation is a difficult process. The difficulty of finding this sort of data is highlighted by Sir Andrew’s apparent frustration with the lack of data for what seems to be such an important question. “There is a desperate need for clearer, simpler and more effective data across the FE college system and, indeed, the wider learning and skills sector. We have been struck by the difficulty of having well-informed debates about the FE college system and its purpose and performance in the absence of sound, up to date and simple information. We cannot understand why there are no information standards across the learning and skills sector. We believe that this is a serious problem. Good management depends on good information.”¹⁵ And though he sees a serious deficiency in the data for a value for money measurement, the Foster Report still encourages colleges to add value for money measures in their Reports and Accounts. However, for an individual college to create a value for money self assessment which has been extensively tested and peer reviewed is a daunting task.

The third chapter of the SEIM Study consists of an investment analysis, which contrasts the cost of an education at an FE college with the benefits that are produced by the education. This analysis is produced from both the perspective of the taxpayer and the perspective of the individual learner.

The taxpayer’s perspective is considered from both a broad perspective and a narrow perspective. The difference being that in the narrow perspective only the benefits to the national government are considered. (Whereas the broad perspective includes the benefits derived from the general increase in economic activity which comes as a result of increased education.) From a narrow perspective, the SEIM Study demonstrates that Warwickshire College gives a positive real rate of return on the taxpayer’s investment.

The learner’s perspective takes into account both the tuition expense and the potential income forfeited by the learner while pursuing an education. This expense is contrasted with the increased income generated over the career of the learner as a result of a higher lever of education. The result is a clear and simple value for money measurement of the FE college’s contribution to the individual learner. Learners at Warwickshire College enjoy an annual return of 6% on their investment in their education. Throughout the Foster Report, the success of the FE system is linked to the contribution to the community and to the individual learner. The SEIM Study’s investment analysis from the learner’s perspective gives a straightforward measurement for calculating this contribution to the individual learner.

Conclusion

“The potential value of the FE sector should arise from its contribution to the success of the economy, employers and individual learners. Only secondarily is it about the success of FE providers and those who manage and regulate them.”¹⁶ The SEIM Study, developed by EMSI, is particularly well suited to demonstrating this value. Demonstrating the contribution of FE colleges to the local economies, social inclusion and individual learners, the SEIM Study gives a clear and reliable value for money analysis of the benefits of the FE system.

¹² Ibid. 24.

¹³ Ibid. 45-47.

¹⁴ Ibid. 58.

¹⁵ Ibid. 59.

¹⁶ Ibid. 15.

References

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About EMSI

Economic Modeling Specialists Inc. (EMSI; formerly CCBenefits Inc.) is a professional services firm that offers integrated regional data, web-based analysis tools, data-driven reports, and custom consulting services. EMSI has served thousands of workforce, education, economic development, and other policy professionals in the U.S., Canada, and the United Kingdom, and the company's web-based **Strategic Advantage** research and analysis suite is used by over 2,500 professionals across the U.S. For more information, call (866) 999-3674 or visit www.economicmodeling.com.