

SUBMISSION

MillionPlus Industrial Strategy submission

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1. MillionPlus, The Association for Modern Universities, welcomes the government's ambition to drive up growth across the regions through their new Industrial Strategy and our members stand ready to work with the new government as they embark on their ambitious plan. We welcome the opportunity to respond to this consultation and contribute to how the new Industrial Strategy can be taken forward.
2. Modern universities make up 52% of all UK undergraduates and 37% of all postgraduates, with over one million students studying at modern institutions across the UK. As major anchor institutions, modern universities are drivers of both social mobility and regional economic growth, generating £17bn in expenditure-related gross value add.
3. Modern universities are pivotal to the success of this mission, acting as critical pipelines of talent for organisations across business and public services alike. This is especially the case for a number of strategically important and growth-driving sectors identified by the government, including the creative arts, advanced manufacturing, business and professional services and clean energy industries among others.

Barriers to growth relating to people and skills

4. Evidence has consistently illustrated the strong relationship between skills, productivity and economic growth, demonstrating the importance of building and sustaining pipelines of talent. The recent Skills England report itself¹ highlighted that approximately one-third of the average annual UK productivity growth between 2001 and 2019 was attributable to the expansion of skills available across the workforce.
5. To drive up both national and regional growth, it is vital that employers are supported by a strong pipeline of talent and skills and barriers to their provision are alleviated.
6. There are a number of persistent barriers to driving up growth which specifically relate to people and skills. These include:
 - a financially unsustainable higher education funding system for universities and students
 - a persistent access and participation gap between disadvantaged students and their more affluent peers
 - significant regional disparities in the higher education participation rate among 18-year-olds
7. The subjects studied by modern graduates feed directly into key growth-driving industries identified by the government, as well as critical public services. In 2021/22, the top subjects studied by modern graduates were subjects allied to medicine (18%), business and management (17%), education and teaching (12%), design and creative and performing arts (9%). As well as educating a large proportion of all undergraduate students across a diverse range of courses, modern universities also provide key

¹ https://assets.publishing.service.gov.uk/media/66ffd4fce84ae1fd8592ee37/Skills_England_Report.pdf

pathways into higher education for local students, who are then retained in the region. Looking across the whole student lifecycle, 68.7% of working graduates at MillionPlus universities are “regional loyalists”, defined as those who lived, studied and then found work in the same region 15 months after graduating. This is more than 20 percentage points higher than the same figure for the whole university sector². This reinforces the role that MillionPlus member universities play in providing opportunity to people in their locality as well as delivering against the skills needs of local employers.

8. In England 64% of all higher education entrants from a low participation background were studying at modern universities. In Scotland, while a third of universities are modern, they account for 56% of full-time university entrants from the most disadvantaged backgrounds. Modern graduates already play an important role in diversifying the workforce in key industrial sectors, which will continue to yield significant productivity and innovation gains for employers³. Modern universities also perform notably well in supporting graduate start-ups, with a score of 3.08 in the latest Knowledge Exchange Framework (KEF). Their performance surpasses the sector average of 2.96, illustrating their strength in fostering entrepreneurial mindsets among their students and the important role they play in developing the local business owners of the future.
9. Modern universities are crucial delivery partners for skills in key growth-driving industries, especially in certain pockets of the country. For example, modern universities deliver the vast majority of all graduates in design, creatives and performing arts in the West Midlands (93%), South West (91%), East Midlands (88%), North East (85%) and London (79%). Meanwhile, modern graduates represent the majority of all graduates in business and management in the East of England (73%), East Midlands (72%) and North East (69%).
10. This showcases the crucial talent pipeline modern universities provide, which is not only nurtured and retained in the region, but also closely aligned to the skills areas that will turbocharge the local economy in key growth-driving industries. However, they can only continue to play this role if it is underpinned by a sustainable funding system.
11. The sector faces a challenging financial environment with funding per student in England having fallen over the last decade. While the recent inflationary uplift to both fees and maintenance were a welcome first step, there remain significant challenges with the higher education funding system and they are in urgent need of addressing. This challenging financial context is having a tangible impact on the breadth of provision offered by our world-leading sector, with courses and departments closing and dozens of institutions implementing redundancy schemes across the regions. This risks damaging the skills pipeline and further spreading regional inequality.
- 12. A sustainable funding model is imperative and we call on the government to urgently establish a Taskforce to support this. The Taskforce should pay particular attention to how a future funding system can preserve the pipeline of skills our economy and public services need. To ease pressure in the shorter term, the government should implement changes to the timing and profile of Student Finance England payments to support university cash flow management.**
13. Current funding arrangements are also placing pressure on the opportunities that disadvantaged students have to engage with their studies, leading to higher drop-out rates. Universities are working hard to improve retention and help address the challenges that an increasing number of students experience. They have invested in a suite of services ranging from bursaries and I.T. grants, to Support Advisers, financial management tools, as well as mental health support
14. In the academic year 2023/24 alone, approximately 30,000 students dropped out of higher education, highlighting the scale of this issue. Evidence shows that students from the most deprived backgrounds are more likely to drop out of university than their more advantaged peers. The OfS reported in 2023 that 81.6% of students from the most deprived backgrounds completed their course, compared to 92.2%

² https://www.millionplus.ac.uk/documents/Research_report_-_Staying_local_to_go_far_-_modern_universities_as_placemakers.pdf

³ <https://www.sciencedirect.com/science/article/pii/S2212567114001786>

from the most advantaged group. This shines a light on the unique challenges that those from less advantaged backgrounds face. Without additional and urgent support for the most vulnerable, we risk reversing much of the progress on access that the higher education sector has witnessed in recent years, which risks damaging the future skills pipeline.

15. These trends reinforce the importance of maintenance loans which are fully reflective of the current cost of living which are pivotal to delivering against the government’s opportunity mission. While we welcome recent steps to uplift maintenance support in line with inflation, **MillionPlus urge the government to reintroduce maintenance grants and commit to raising maintenance loans in lines with inflation on an annual basis.**
16. **The introduction of a Social Mobility Premium would also support the government’s Opportunity mission, by recognising the higher costs associated with educating students from widening participation backgrounds.** This would be especially valuable in the aftermath of the Covid pandemic which led to a significant period of lost learning, which had a disproportionate impact on the least advantaged⁴. This additional resource will be crucial to supporting retention among these students, as well as enabling them to thrive and fully engage in the opportunities available to them throughout their higher education experience.
17. We recommend this funding is paid directly to universities that create opportunities for students and that do not traditionally enter higher education in recognition of the additional support these institutions need to put in place to enable these students to thrive throughout their studies.
18. A Social Mobility Premium could be provided based on student numbers from IMD1 backgrounds and be linked both to access and outcomes, as measured by the Office for Students. This funding should be allocated as an addition to the Strategic Priorities Grant that is allocated by the OfS each year under the guidance of the Secretary of State.
19. The Table below shows that a £1000 premium for each student from an IMD1 background would cost £240m annually.

Social Mobility Premium	Number IMD Q1 Students	Social Mobility Premium Total Cost
£1,000	240,825	£240,825,000

MillionPlus analysis

20. While we can welcome recent progress on access to higher education and the increasing numbers of disadvantaged students entering higher education, the participation gap between disadvantaged students and their more affluent peers persists. UCAS data shows that in the latest university admissions cycle, we saw a ratio of 2.32 students in quintile 5 for every student in quintile 1. This highlights the need for sustained government intervention to ensure that opportunities remain available to all.
21. The average participation rate of 18-year-olds in higher education is 36%, however this average masks significant differences between the regions and countries across the UK. The UK has one of the highest regional disparities among OECD countries⁵, reaffirming the ongoing challenges surrounding access and participation in higher education and the barriers this presents to driving up regional economic growth in certain parts of the UK. Addressing these disparities is critical to ensuring that all pockets of each town and city across the UK are provided with the pipelines of talent and skill that they need to bolster regional economic growth.

⁴ <https://www.suttontrust.com/wp-content/uploads/2021/01/Learning-in-Lockdown.pdf>

⁵ <https://www.oecd-ilibrary.org/docserver/b9aab803-en.pdf?expires=1730992643&id=id&accname=guest&checksum=E0527B971F8031A075F0C0BB1894E369#:~:text=In%20the%20United%20Kingdom%2C%20the%20share%20of%2025%2D64%20year,OECD%20countries%20with%20available%20data.>

22. Modern universities offer an array of non-traditional provision including apprenticeships, shorter courses and CPD qualifications, all of which play an important role in the skills landscape. Their shorter courses are well aligned with the priority areas identified by government, including for example those that develop effective business leadership. Apprenticeships are delivered across a variety of subjects and levels and in 2023/24, 58,960 individuals were undertaking an apprenticeship at a modern university. The breadth and depth of non-traditional provision showcases the pivotal role moderns play in meeting local and national business needs and the important part they will play in the rollout of the Lifelong Learning Entitlement.
23. MillionPlus is concerned about recent proposals to remove Level 7 apprenticeships from the scope of the Growth and Skills levy. These apprenticeships provide a vital escalator for high skills growth and are offered by modern universities across a range of critical areas including Business Administration and Law (1,650 starts in 2023/24), Health Public Services and Care (1,240 starts in 2023/24). This is particularly the case in regions with lower higher education participation rates including the North East, where there were over 400 modern university apprentices starting on a level 7 programme in 2023/24. **We urge the government to keep level 7 apprenticeships within the scope of the levy to ensure we continue to deliver high skills provision in these critical subject areas and regions.**

Barriers to growth relating to RDI and technology adoption and diffusion

24. Researchers and academics at modern universities are vital in ensuring that businesses can benefit from expertise in research and innovation. This is especially the case for small and medium enterprises that are the lifeblood of the UK's towns, communities, regions and nations. Modern universities are essential in bringing these experts closer to business, supporting them in providing solutions to major challenges and driving economic growth in all parts of the country.
25. For example, Edinburgh Napier University led pioneering research which has yielded significant benefits for the construction industry. Research has developed multiple innovative products, including timber design engineering software which is accessed monthly by over 10,000 engineers. Their research has also led to new construction technologies being developed alongside industry partners, facilitating significant knowledge exchange with 200 industry and public sector stakeholders⁶.
26. Research into smart and sustainable infrastructure at Wolverhampton University has also led to the development of new technologies and the creation of new products and systems which have benefitted approximately 200 businesses, predominately SMEs. These technologies have been integrated into novel products and services, including battery storage units and energy monitoring systems. This research will effect a step change in the exploitation of renewable energy, improving the competitiveness of energy companies and supporting housing and infrastructure providers to meet their sustainable development goals.
27. MillionPlus universities are key hubs of internationally excellent research in every region, and in REF2021, 63% of research carried out at modern universities was judged to be world-leading or internationally excellent. Modern universities are research leaders across a number of key areas which feed into the growth-driving industries identified by Government. Modern universities produced 62% of the total submissions in *Art and Design* in REF2021, 74% of which was assessed as either world-leading or internationally excellent.
28. Over half (55%) of research in *Architecture, Built Environment and Planning Analysis* in REF2021 was from modern universities, with 64% of this being assessed as either world-leading or internationally excellent. Modern universities are natural partners to support the commercial application of research, given their wide geographical reach and historic focus on research that is local and commercially focused.

⁶ <https://results2021.ref.ac.uk/impact>

29. These strong links between moderns and local businesses translate into tangible benefits, both economically and socially. For example, the University of Suffolk has closely collaborated with BT to develop the DigiTech centre. This provides people in the region with cutting-edge digital skills and acts as an effective mechanism to embed higher skills in the business community in key growth-driving industries, such as ICT⁷. Meanwhile, University for Central Lancashire has established a Centre for SME and Enterprise Development⁸, which offers over 1,800 members across the SME community with a stimulating ecosystem to connect with others and receive support to grow their business.
- 30. We urge the government to ensure we avoid a one-size-fits-all approach to research and innovation policy. One of the most effective routes to maximise research impact and turbocharge the commercialisation of R&D is to create funding structures and incentives that support all types of innovation across a range of different institutions, including modern universities.**
31. The latest KEF data also showed the strong performance of moderns (3.25) in contributing to local growth and regeneration. This exceeds the HE sector average rating of 3.00, reinforcing the significant contribution moderns make to both local economic and social development.
32. Despite offering an immensely valuable contribution to the research landscape, most modern universities are operating with a smaller research base than the traditional “research-intensive” institutions. It is important to note that many modern universities operate in regions where there is significantly lower business investment, for example in research and development. This creates a more challenging environment and moderns often need to work much harder to deliver the equivalent GVA as those operating in other regions. In 2021–22 modern universities received £17 million in income from regeneration and development programmes to help address these imbalances, as well as over £45 million in European Regional Development Fund (ERDF) income.
- 33. A new regional investment fund is now needed to ensure we continue to make progress on addressing regional disparities and plug the funding gaps that have emerged since the ending of the ERDF.**
34. While we recognise and support the government’s commitment to devolve powers across the nations and regions of the UK, there are many parts of the country that have yet to secure a devolution deal. This leaves a large number of communities with uneven opportunities and mechanisms to promote their local needs and interests and to shape decisions accordingly. We urge the government to ensure that consideration is given to mechanisms that can stimulate both public and private investment outside of devolved areas.
35. MillionPlus also urge the government to ensure that the Shared Prosperity Fund is guided by three overarching principles:
- Devolve decisions as far away from the centre as possible
 - Promote long-term, flexible, local approaches to investment
 - Reduce bureaucracy and burden

Addressing barriers to growth relating to regulation

36. MillionPlus is supportive of the need for good regulation, which helps to reinforce the quality and strength of our higher education sector, underpinning its international reputation. However, the

⁷ <https://www.uos.ac.uk/life-at-suffolk/your-campus/ipswich-campus/digitech-centre/>

⁸ <https://www.uclan.ac.uk/business/support-for-smes/centre-for-sme-development>

approach the OfS has taken in recent years has caused significant burden and ever-increasing bureaucracy in our member universities⁹.

37. **We encourage the government to enhance the risk-based nature of higher education regulation that ensures regulatory responses are targeted, effective and efficient.** There are substantial benefits to be achieved through such an approach including better supporting and incentivising innovation.
38. For example, MillionPlus universities are keen to explore new models of delivering higher education which focus on addressing skills needs and enhancing access by providing a diversity of choice for learners. Modern universities are already leading the way in the development of degree apprenticeships, with 58% of universities on the apprenticeship training provider register are modern universities. We are also enthused by the potential of the lifelong loan entitlement and what benefits it could bring to students of all ages. However the current model of regulation, for example where providers are assessed by detailed 'outcomes' metrics would not, in their current form, be transferable to modular level study and so regulation will need to adapt to support new initiatives.
39. In line with the recommendations of the recent Behan review¹⁰, **MillionPlus would welcome a regulatory approach which focuses on universities core missions, incentivises innovation and avoids a 'one size fits all' approach.** This would help support the government's growth agenda by ensuring that higher education institutions can focus their time and resources on their core functions, including both teaching and research. Addressing regulatory barriers will also help to unlock a greater diversity of provision, which will support the Government to further enhance the future skills pipelines.

The role of international partnerships in supporting the Industrial Strategy

40. Higher education institutions across the UK deliver world-class teaching and research and are held in global esteem. Universities stand ready to support the government in educating the future pipeline of talent, bolstering economic growth and productivity, and delivering the essential public services workforce that the UK needs.
41. UK universities continue to deliver world-leading research and innovation, with modern universities ensuring that businesses – especially the small and medium enterprises that are the lifeblood of the country's towns, communities and regions – can benefit from expertise in research and innovation. However, to do this, and to support the aims of the industrial strategy, the government should continue to look at closer arrangements with European and worldwide governments and higher education partners to ensure the UK remains a leading global destination.

Growth opportunities within international markets

42. The higher education sector is one the UK's greatest assets with a broad and varied array of world-leading institutions, with huge opportunities to drive further growth by tapping further into international markets. Economic consultancy [London Economics estimates](#) that international students starting in 2021/22 would bring economic benefits to the UK of £41.9 billion, have costs to the UK of £4.4 billion, and hence net economic benefits of £37.4 billion.
43. This economic impact could be seen across the entire UK, particularly important in areas that will be crucial for the government to target in order to meet their ambitions in the industrial strategy, and towns and regions that modern universities are at the heart of. We saw international students making a £58 million net economic contribution to the UK economy per parliamentary constituency across the duration of their studies. This is equivalent to £560 per member of the resident population.

⁹ https://www.millionplus.ac.uk/documents/MillionPlus_submission_-_HoL_Industry_and_Regulators_Committee_inquiry_on_the_work_of_OfS.pdf

¹⁰ https://assets.publishing.service.gov.uk/media/66a261fda3c2a28abb50d758/Independent_review_of_the_office_for_students.pdf.pdf

44. There is also a significant boost to the UK's soft power and therefore potential growth opportunities via supporting higher education. For example, in 2023, [over one-quarter of the world's countries \(58\) were headed by someone educated in the UK](#).
45. However, according to HESA data, there are some signs of a fall in international student numbers in 2023 and 2024. The number of student visas granted increased to a new record of around 484,000 in 2022 before falling by 5% in 2023. Applications for study visas in August (traditionally the peak month) were 17% lower in 2024 than in 2023. Data from an international student enrolment platform suggests that postgraduate entrants in January 2024 were down by around one-third. The new visa restrictions that came into effect in January 2024 have had an impact on institutions and their ability to recruit, which will have a knock on effect for both the economy and research.
46. While we welcome the decision by the previous government to retain the Graduate Route, the review in March 2024 and the threat of its removal negatively impacted international recruitment in the last admissions cycle. **We encourage the government to consider the introduction of an enhanced Graduate Route that is strongly promoted internationally.**
47. **The Industrial Strategy should also be closely aligned to the International Education Strategy**, to enable it to maximise the growth opportunities and continue to let UK higher education and research thrive.

The role of the Industrial Strategy Council

48. **One important role the Industrial Strategy Council can play is in supporting join-up across government.** The industrial strategy will naturally cut across a number of different government departments, as well as a range of sectors and industries across the regions and nations of the UK. The Council can play a crucial role in supporting closer alignment between departments and the different elements of the system, to foster a culture of greater co-ordination and collaboration.
49. **We urge the government to ensure that a diverse set of universities are included in their engagement and that modern universities have the opportunity to provide their valuable insights and experience to the Council alongside business and union representatives and local leaders.**