

# DEMONSTRATING THE ECONOMIC VALUE OF *Scotland's Colleges*

## FACT SHEET

## ANALYSIS OF THE SOCIAL & ECONOMIC BENEFIT OF LEARNING

### OVERVIEW

Scotland's colleges create significant positive benefits on their main stakeholder groups: learners, society, taxpayers, and the local business community. Using a two-pronged approach that involves an investment analysis and an economic impact analysis, the model applied in this study calculates the benefits to each of these groups. This fact sheet presents the key findings.

## INVESTMENT ANALYSIS

### BENEFITS TO LEARNERS

- Learners as a whole invested a total of **£1.2 billion** to attend Scotland's colleges in 2013-14. The majority of these costs, around **£1.1 billion**, represent foregone earnings that they would have generated had they been working instead of learning.
- In return for the monies that learners invest in Scotland's colleges, they will receive a present value of **£7.4 billion** in increased earnings over their working lives.
- Every £1 that learners pay for their education at Scotland's colleges yields **£6.30** in higher future wages. This translates to a **14.8%** annual rate of return on their investment.

### BENEFITS TO SOCIETY

- Society as a whole invested **£3.2 billion** in Scotland's colleges through direct outlays and the loss of potential output from learners who spent time at the colleges rather than working.
- In return, society will receive a present value of **£19.9 billion** over the course of the learners' working lives, in the form of an expanded tax base and a variety of social benefits related to reduced crime, lower unemployment, and increased health and well-being.
- Society will receive **£6.30** in return for every £1 invested in Scotland's colleges. The average annual rate of return on their investment is **16.4%**.

### BENEFITS TO TAXPAYERS

- Taxpayers in the UK paid **£598.3 million** to support the operations of Scotland's colleges in 2013-14.
- The present value of the added tax revenue stemming from the learners' higher lifetime incomes and the increased output of businesses amounts to **£3 billion** in benefits to taxpayers. Avoided costs to the public sector adds another **£358.3 million** in benefits due to a reduced demand for government-funded social services.
- Taxpayers see an average annual rate of return of **15.6%** from their investment in Scotland's colleges. The corresponding benefit-cost ratio is **£5.70** in benefits returned for every £1 in costs.

### FOR EVERY £1 SPENT

<b>£6.30</b>	Gained in lifetime higher earnings for learners
<b>£6.30</b>	Gained in added income and savings to society
<b>£5.70</b>	Gained in added tax receipts and avoided costs to taxpayers

# ECONOMIC IMPACT ANALYSIS

## IMPACT OF STAFF & COLLEGE EXPENDITURE

- Scotland's colleges employed **10,238** full-time equivalent faculty and staff in 2013-14. Staff costs amounted to **£392.9 million**, much of which was spent in Scotland to purchase groceries, clothing, and other household goods and services.
- The colleges are buyers of goods and services and spent **£272.9 million** to support their operations in 2013-14. College expenditure further benefited many local suppliers in Scotland.
- The net impact of staff and college expenditure in Scotland comes to approximately **£700.8 million** in added income in the Scottish economy each year.

## IMPACT OF ADDED WORKFORCE SKILLS

- Many learners attending Scotland's colleges stay in Scotland. Their enhanced skills and abilities **bolster the output** of local employers, leading to higher Scottish income and a more robust economy.
- The accumulated impact of former learners attending Scotland's colleges who are currently employed in the Scottish workforce amounts to **£14.2 billion** in added income in Scotland's economy each year.

## TOTAL IMPACT ON LOCAL BUSINESS COMMUNITY

- Altogether, the economic impact of Scotland's colleges to the business community in Scotland is **£14.9 billion** each year.
- Total added income created by Scotland's colleges and their learners is approximately equal to **8.8%** of the total economic output of Scotland in 2013-14 and represents roughly **593,246** average wage jobs.

## INCOME CREATED BY SCOTLAND'S COLLEGES

Impact of college and staff expenditure

**£0.7 BILLION**

Impact of learner skills

**£14.2 BILLION**

Total income created per year

**£14.9 BILLION**

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