

The Role of Universities in Economic Development

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Abstract

Traditionally, universities have been credited with providing opportunities for citizens to develop themselves and advance economically. Educated persons were expected to make significant contribution to the economy and thus beneficial to society. Further, university faculties conducted research leading to scientific breakthroughs in medical fields, industrial processes and production, agriculture, and other areas. This paper explores the role of universities in economic development.

Keywords: economic development, universities, economy, role, knowledge

1. Introduction

Universities have been found to be hubs of economic activities. According to Hill (2006) universities have played a key role in the process of economic development as both a source of new knowledge and a trainer of scientists and engineers who work in industrial laboratories. In fact:

- universities create jobs and offer training and education for local residents;
- most support local businesses through the procurement of goods and services;
- some advance community development through real estate projects;
- others facilitate community service projects that have an economic component; and
- nearly all partner with government and civic groups to strengthen the economic health of the community.

2. Overview

Universities have been known for connecting knowledge creators with knowledge commercializers through technology incubators, entrepreneurial development curricula and nurturing relationships with community-based venture funds (Sampson, 2004). Greenspan (2004) said:

Our system of higher education bears an important responsibility for ensuring that our workforce is prepared for the demands of economic change. America's reputation as the world's leader in higher education is grounded in the ability of these versatile institutions to serve the practical needs of the economy by teaching and training, and more significantly, by unleashing the creative thinking that moves our economy forward (Greenspan, 2004).

Universities make major contributions to economic development by supplying college graduates. They have been one of the most valuable assets for communities in advancing education, health, and social service needs of residents.

Universities make further contribution that is taking prominence these days. University faculties are part of the "creative class" of our communities which, according Richard Florida, is a key to economic growth. He contends "that regional economic growth is driven by the location choices of creative people—the holders of creative capital—who prefer places that are diverse, tolerant and open to new ideas." (Florida, 2002).

Thus universities contribute to economic development by providing not only graduates but also expertise and various forms of direct assistance that maintain safe and healthy communities, improve the performance of government agencies, and foster a vibrant arts community. Leaders on and off campus need to recognize and acknowledge this broad, holistic contribution the academic community makes to economic development.

3. The Knowledge Economy and the Role of Universities

Defining the knowledge economy has proven controversial. While a number of general definitions have been articulated no single definition has been able to capture all aspects what exactly knowledge economy is all about (Brinkley, 2006). Given this confusion an alternative argument has emerged that the knowledge economy is not a new phenomenon and that "the economy has always been driven by knowledge leading to innovation and technological change and knowledge based institutions have helped store and share knowledge for centuries. What we see today is essentially more of the same but operating on a bigger scale and at a faster pace" (Brinkley, 2006).

European policy approaches to the knowledge economy take universities as their point of reference regarding competitive research and their contribution to the European Research Area. The European Commission publication: *European Universities: Enhancing Europe's Research Base* (European Commission, 2005) identifies the entrepreneurial role of universities as a source of spin-offs and start-up companies and their

role in knowledge and technology transfer. In this context universities are seen as environments that are:

- the centre of the research and teaching systems;
- the training institutions for our future researchers;
- a point where frontier knowledge meets practical applications; and
- the school and library of the knowledge society

This leads to viewing universities as centres of innovation and competitiveness in the local economy. Universities have therefore seen the growth of standard models like external liaison offices, research and development offices, technology transfer offices as central mechanisms for linking academia with industry, with a particular focus on:

- contributing to faster and better commercialisation of research results;
- improving innovation performance and accelerate the dissemination of new technologies;
- better management of intellectual property and research capacities of public research organisations;
- identifying specific research requirements through dialogue with enterprises; and
- helping companies grow and become more competitive (IRE Knowledge Transfer Working Group, 2008).

4. Economic Development and the Role of Universities

Universities play an intrinsic role in the world economy. They increase skills, support innovation and attract investment and talent.

Universities have an important part in supporting businesses to drive product, process and service innovation. Innovation is a key driver of economic growth and plays a critical role in increasing private sector productivity. Innovation is enabled and supported by universities in a number of ways:

- through a range of knowledge exchange activities with businesses, such as long-term collaborative research programmes, consultancy and bespoke training;
- by commercialising innovative ideas, taking a proactive role in the commercialisation of universities' research through investment in academic and graduate spinoffs, and backing ventures that can add value and complementary expertise to their internal R&D facilities;
- by helping to facilitate innovation indirectly, by providing space for innovative firms to interact closely and assisting the development of networks; and
- by promoting entrepreneurial talent through education and entrepreneurship support services.

Universities play an important part in responding to skill needs as the shape of the workforce changes. Universities have an important role to play in meeting skills demand both through their more traditional model of undergraduate university study and by developing a broader range of pathways to higher skills (Department for Business, Innovation and Skills, 2014). The Department for Business, Innovation and Skills (ibid) identified the following specific university traditional roles in economic growth and development:

- **Increasing productivity:** Research shows that across public and private sectors, the knowledge and higher level skills possessed by workers influence productivity, both directly and indirectly. It is estimated that a 1% increase in the share of the workforce with a university degree raises the level of long-run productivity by 0.2-0.5%. 8.
- **Building and attracting talent:** Universities can increase a local skills base, even in the absence of a strong local economy that might demand those skills. This can set in motion the virtuous circle of a highly-skilled workforce attracting investment and innovation.
- **Meeting employer needs:** Some businesses present a variety of unique skill challenges that are difficult to meet, other than through employer-led, bespoke and flexible alternative learning pathways. Increasingly, universities are collaborating with employers to develop diverse and innovative pathways to higher level skills.
- **Supporting social mobility:** Universities see supporting social mobility as a core part of their mission. Through this process they not only improve the livelihood of individuals, but also unlock the talent and potential that these individuals can bring to the economy.

Universities create prosperity in their local areas, contributing to regional growth, jobs, investment and community wellbeing. They help regions to achieve their economic potential by supporting innovation and entrepreneurship, attracting investment and talent, and creating jobs.

Many universities act as 'anchor institutions' in their local area. They are in an ideal position to take the lead on significant socio-economic issues at a local level by:

- helping to shape local economic strategies;
- linking research and teaching priorities to local economic and social needs; and
- promoting public engagement, community well-being and active citizenship skills

Universities anticipate future needs, help to shape policy and drive research and innovation to enhance efficiency and effectiveness. Universities provide knowledge and insight that can support both the private and the public

sector. They have a role in driving discovery that is unmatched by other actors in the innovation system.

5. Conclusion

The accumulation of knowledge and the cross-fertilisation of ideas across disciplines within university departments puts academic researchers in a good position to anticipate future trends in and the dynamics of technological development. This – combined with their ability to draw together stakeholders – also means universities have an important part to play in informing and supporting evidence based policymaking.

References

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