

OVERVIEW

FE colleges in Wales create significant positive benefits for their main stakeholder groups: learners, society, taxpayers, and the local business community. Using a two-pronged approach that involves an investment analysis and a regional 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 paid a total of **£66.9 million** to cover the cost of tuition fees and books and supplies at FE colleges in Wales in 2014-15. All learners also forwent **£732.7 million** in earnings that they would have generated had they been working instead of learning.
- In return for the monies that learners invest in FE colleges in Wales (i.e., in the form of tuition fees and forgone earnings), they will receive a present value of **£5.5 billion** in increased earnings over their working lives.
- Every £1 that learners pay for their education at FE colleges in Wales yields **£6.90** in higher future wages. This translates to a **20.8%** annual rate of return on their investment.

BENEFITS TO SOCIETY

- Society as a whole invested **£1.7 billion** in FE colleges in Wales through direct outlays and the loss of potential output from learners who spent time at the colleges rather than working.
- In return, society in the UK will receive a present value of **£13.3 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 lower unemployment, increased health and well-being, and reduced crime.
- Society will receive **£7.90** in return for every £1 invested in FE colleges in Wales. The average annual rate of return on their investment is **24.0%**.

BENEFITS TO TAXPAYERS

- Taxpayers in the UK paid **£374 million** to support the operations of FE colleges in Wales in 2014-15.
- The present value of the added tax revenue stemming from the learners' higher lifetime incomes and the increased output of businesses amounts to **£2.3 billion** in benefits to taxpayers. Avoided costs to the public sector adds another **£86.3 million** in benefits due to a reduced demand for government-funded social services in the UK.
- Taxpayers see an average annual rate of return of **20.4%** from their investment in FE colleges in Wales. The corresponding benefit-cost ratio is **£6.30** in benefits returned for every £1 in costs.

FOR EVERY £1 SPENT

£6.90

Gained in lifetime higher earnings for learners

£7.90

Gained in added income and savings to society

£6.30

Gained in added tax receipts and avoided costs to taxpayers

REGIONAL IMPACT ANALYSIS

IMPACT OF STAFF & COLLEGE EXPENDITURE

- FE colleges in Wales employed **8,115** full-time, part-time, and agency faculty and staff in 2014-15. Staff costs amounted to **£305.2 million**, much of which was spent in Wales to purchase groceries, clothing, and other household goods and services.
- The colleges are buyers of goods and services and spent **£163.1 million** to support their operations in 2014-15. FE colleges in Wales expenditure further benefited many local suppliers in Wales.
- The net impact of staff and college expenditure comes to approximately **£455.5 million** in added income in the economy of Wales each year.

IMPACT OF LEARNER EXPENDITURE

- Learners at FE colleges in Wales who relocate to Wales from outside of the area spend money at local shops to buy books and supplies, purchase groceries, rent accommodation, pay for transport, attend sporting events, and so on.
- The expenditure of the colleges' learners from outside Wales annually adds approximately **£5.1 million** in income to the economy of Wales.

IMPACT OF ADDED WORKFORCE SKILLS

- Many learners stay in Wales after leaving the FE colleges in Wales. Their enhanced skills and abilities **bolster the output** of local employers, leading to higher national income and a more robust economy.
- The accumulated impact of former learners from FE colleges in Wales who are currently employed in the national workforce amounts to **£3.5 billion** in added income in the economy of Wales each year.

TOTAL IMPACT ON LOCAL BUSINESS COMMUNITY

- Altogether, the economic impact of the FE colleges in Wales to the local business community in Wales is **£4 billion** each year.
- Total added income created by the FE colleges in Wales and their learners is approximately equal to **9.1%** of the total economic output of Wales in 2014-15 and represents roughly **183,530** average wage jobs.

INCOME CREATED BY FE COLLEGES IN WALES

Impact of college and staff expenditure

£455.5 MILLION

Impact of non-local learner expenditure

£5.1 MILLION

Impact of learner skills

£3.5 BILLION

Total income created per year

£4 BILLION

About Emsi Economic Modelling Specialists International (Emsi) provides employment data and economic analysis via web tools and custom reports. The company has also produced more than 1,300 comprehensive impact analyses for colleges and universities in the UK, US, Canada, and Australia. Founded in 2000, Emsi is located in Moscow, Idaho with branch offices in the UK, and it serves education, economic, and workforce development institutions and organisations. Visit our website at www.economicmodelling.co.uk for more information. Data was unavailable for Coleg Ceredigion and St David's Catholic Sixth Form College.