

New research shows that Victoria University increased gross domestic product (GDP) in Western Melbourne in 2013 by just over \$630 million and boosted the region's employment by around 4,400 jobs. This represents a contribution of almost 2 per cent to total economic activity in Western Melbourne.

The Vice-Chancellor, Professor Peter Dawkins, said that as Victoria University reached its centenary it was constructive to evaluate the University's success in contributing to the advancement of the City's West. He had therefore asked the CoPS to undertake a detailed assessment of the University's economic contribution to the West.

CoPS carefully modelled the effects of expenditure by the University and the students it attracted to the West, and the effects VU has on the region's skill base and industry productivity. Table 1 shows how each of the VU expenditure and productivity effects added to Western Melbourne's GDP.

TABLE 1: IMPACT OF VICTORIA UNIVERSITY ON WESTERN MELBOURNE GDP 2013

Source of GDP gain	\$ million
DIRECT IMPACTS	
Direct university spending	299
Spending by extra students attracted to the West	70
More productive workforce	69
Improved technology in local industries	11
INDIRECT IMPACTS	
New business activity attracted	183
Total impact on Western Melbourne GDP	632

> DIRECT IMPACTS

SPENDING

VU is a large spender in Western Melbourne with an expenditure of \$377 million in 2013. Students attracted to Western Melbourne to attend VU were estimated to spend a further \$139 million locally.

Much of this expenditure directly translates into wages for people employed in the region and profits to local businesses, directly boosting the West's GDP by \$369 million (the sum of the first two rows in Table 1).

Universities contribute to their environment in many ways: by enriching people's lives, by enhancing their skills, and by strengthening their community.

While it is hard to put numbers on all such contributions, economists have developed techniques to put a value on the economic component of the contribution using economic modelling. While universities make a much broader contribution to a region than just an economic one, putting a value on the University's economic contribution provides an important measure of a key impact that VU has on the West.

SKILLS AND RESEARCH KNOWLEDGE

Of course universities do more than just spend money; they train people. One of the lasting contributions of VU has been to boost the skills of the local workforce, increasing their wages and reducing their risk of unemployment.

Between 1992 and 2012, around sixty-three thousand higher education degrees and around fifty thousand VET qualifications were awarded to students at VU's Western Melbourne campuses. While many of these students moved away from the region over the years, it is estimated that in 2013 around 60,000 VU award holders were Western Melbourne residents of whom just over 26,000 were estimated to be employed within the region. Of these it is estimated that almost 10,000 award holders would have been working elsewhere in Melbourne, if it were not for their attendance at a VU Western Melbourne campus.

The economics literature provides estimates of improvements in labour productivity associated with the major types of university and VET qualifications. Applying these to our estimates of VU graduates retained in the West implies a \$69 million increase in labour productivity in the region's industries.

Accumulated research knowledge from VU research focussed on Western Melbourne's industries was estimated to add a further \$11 million to the overall productivity of industries in the region.

The Centre of Policy Studies (CoPS) is an independent research unit within VU's College of Business. CoPS is a world leader in economic modelling, having developed models and software that are used in analysing key economic issues in about 70 countries around the globe. Among the government and business organisations for which CoPS undertakes economic modelling research are the Australian Treasury, the Productivity Commission, CSIRO, many other Commonwealth and state government departments/authorities, six U.S. federal government departments, the White House, US private institutes such as the Mitre Corporation, the Chinese State Information Centre, the Chinese Academy of Science, the World Bank, the Asian Development Bank, and institutions throughout Europe, Africa, Asia and North and South America.

For further details, see: www.vu.edu.au/centre-of-policy-studies-cops

> INDIRECT IMPACTS

The economic modelling revealed an additional boost to Western Melbourne GDP due to flow-on effects induced by the VU-generated direct expenditure and productivity impacts on GDP. These are often referred to as indirect, or multiplier effects.

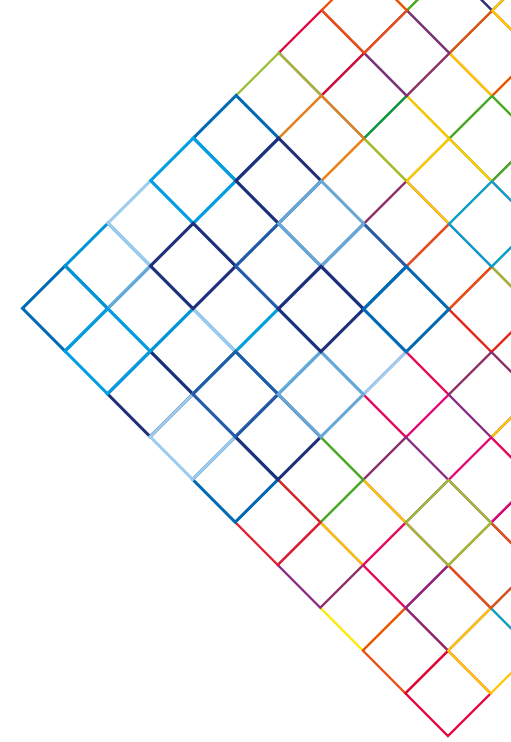
VU and student spending cause other businesses to expand their activities in the West induced by an expanding local economy. Also, the productivity improvements make the West more competitive, leading to an additional expansion of local business activity. These flow-on effects add a further \$183 million to Western Melbourne's GDP.

> RIGOROUS ECONOMIC ANALYSIS

Behind these modelling results lies a rigorous research effort. For instance, the study involved detailed estimations of local expenditure by out-of-region students, interregional mobility of award holders, labour force productivity and participation of local graduates, interregional commuting and the spatial distribution of spending, research returns and knowledge decay, etc. The study involves important innovations for examining the local economic effects of the presence of a tertiary education institution within a region of a large city. A paper which the study's author, John Madden, will present this June to a conference in Charlotte, North Carolina, is available upon request.

The study's author is CoPS' Professor John Madden. John is internationally renowned as a leading developer of large-scale regional economic models and is a former President of the Pacific Regional Science Conference Organisation. John has undertaken around 150 studies modelling regional and national economic issues in Australia, Malaysia and the United States. In 2010 John travelled to the University of Strathclyde as an international advisor on a major study of the impact of higher education institutions on UK regional economies funded by Britain's Economic and Social Research Council.

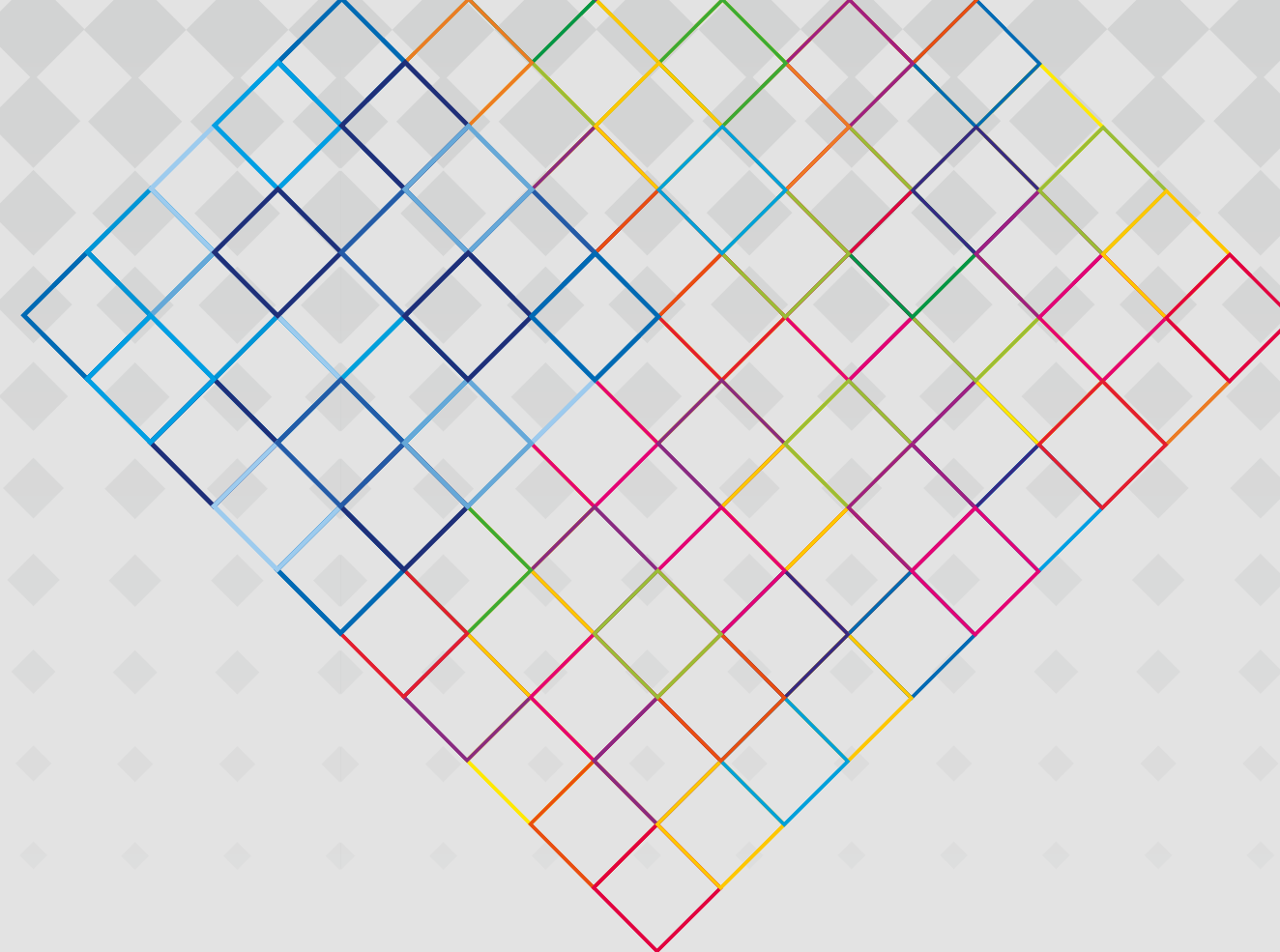
For more details, see: www.vu.edu.au/contact-us/john-r-madden



➤ In our Centenary year, as we celebrate the many achievements of Victoria University (VU), we have taken this opportunity to commission an economic impact analysis by the internationally renowned Centre for Policy Studies (CoPS). This study undertakes a quantifiable assessment of the economic impact we make to our heartland, the West of Melbourne. This impact goes beyond the traditional measures usually associated with universities but instead demonstrates how we are fundamentally linked to the economic wellbeing of the region within which we are located. It tells a story that a strong and vibrant university means a strong and vibrant West of Melbourne.

Moving into the next stage of our history, the University remains a committed citizen of the west. Through our endeavours and in partnership with regional stakeholders we will continue to play a leadership role in enhancing social and economic outcomes in our heartland communities of the West of Melbourne.

Professor Peter Dawkins
Vice-Chancellor and President



VICTORIA UNIVERSITY
AND THE WESTERN
MELBOURNE ECONOMY
➤ **ECONOMIC IMPACT REPORT**

FOR FURTHER INFORMATION

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