

What do we know about the effect of local learning institutions?

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Abstract

This literature review examines the effects of local learning institutions on educational attainment, human capital formation, and local labour-market development. Research from Sweden and other countries consistently shows that proximity to higher education increases participation and completion rates, particularly among students from less advantaged backgrounds and in rural areas. Local educational institutions also contribute to regional human capital and may support innovation and economic development. However, their impact depends on broader regional conditions, including graduate retention, labour-market demand, and the strength of local knowledge networks. The review highlights the importance of mobility and spatial inequality in understanding educational outcomes and concludes that decentralised higher education can reduce educational disparities, although important questions regarding long-term local labour-market effects remain.

Keywords: higher education, regional development, educational attainment, human capital, graduate mobility, spatial inequality.

Introduction

From mid-1990s, regional policy has had central role in higher education policy (Benner, 2001; Westlund, 2004). Building up local universities and vocational tertiary education became a part of regional policy, both nationally and locally. The idea was that establishing an educational provider within higher education would attract talent and build local clusters of high-skilled labour and businesses. This is central, not least in the Swedish Government's research proposition of 1996, where it becomes clear that tertiary education should be geographically distributed (Prop. 1996/97:5). It is emphasized in the proposition (Prop. 1996/97:5) that this becomes important for a closer interaction between universities, public authorities, industry, and other societal actors.

Although the Swedish decentralization of post-secondary education has been criticized (see e.g. Vasiliou, 2026) there is, to my knowledge, less well-substantiated, evidence-based research supporting these critiques. On the contrary, empirical studies often suggest a positive correlation between local higher education institutions (HEI) and access to education, social stratification (see e.g. Bergh et al., 2024) and regional skills supply (Abel & Deitz, 2011; Huggins & Johnston, 2009).

This literature review aims to investigate what we know about the effects on local labour markets of local learning institutions. The kind of institutions here investigated are institutions that provide or mediate education on post-secondary level.

Spatial inequality

In recent years, scholars in sociology, psychology, history, and education have increasingly recognized that space matters, extending what was once a predominantly geographical concern to a much wider range of social science fields. This has been referred to as a "spatial turn" in educational research (Ferrare & Apple, 2010; Haley, 2017). Conversely, an "educational turn" has marked an increased interest in educational issues among geographers (Haley, 2017). Waters (2017) describes the "new geographies of education and learning" as an approach that views education as shaped by mobility, connections, and wider social relations rather than confined to schools or universities. This perspective highlights how learning is influenced by both mobility and place, and by unequal access to educational opportunities.

Figure 1 shows share of tertiary education and localization of universities in Sweden, which gives a picture of spatial inequality in education in Sweden. Highest share of tertiary education had Lund (university city) and Danderyd (suburb outside Stockholm (65 percent).

Other suburbs to Stockholm (Solna, Lidingö, Täby) and university cities (Uppsala, Umeå) also had high shares. Municipalities with the lowest shares are rural border municipalities (e.g., Eda, Årjäng), rural former industrial municipalities (Filipstad, Ljusnarsberg), or sparsely populated (Dorotea) municipalities. They have around 20 percent tertiary educated citizens. The figure shows and correlation between the location of universities and high share of tertiary education.

In the new knowledge society, access to knowledge is a key factor that creates spatial inequality, which has placed the role of higher education institutions (HEIs) at the forefront of regional innovation policy and economic development policy (Caniëls & Van Den Bosch, 2011). There are numerous studies examining the impact of HEIs on local and regional economic development (see e.g. Abel & Deitz, 2011; Huggins & Johnston, 2009). Although results reveal that different conditions lead to varying economic effects (such as economic growth, entrepreneurship, innovation, human-capital development, and knowledge development), a general conclusion is that HEIs have a positive significance for regional development.

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The role of mobility

If local HIEs or learning institutions is to contribute to local labour market development, its graduates must stay in the area after graduation. Thus, the geographical dispersion of learning institutions and mobility are closely related. Faggian & McCann (2009) examine students' geographic mobility from home to university (before studies) and after graduation in the UK. They find that British students are highly mobile, but differences exist. For example, they find that

newer and more modern universities have a greater impact on the local labour market than older traditional universities, that is that students have a higher probability to stay after graduation.

Haley (2017), in her dissertation, investigates how individuals in Sweden move to employment after higher education. According to Haley, HEIs are often expected *both* to attract prospective students *and* retain graduates in the regional labour market, which is often difficult to obtain. Previous research has found that regional characteristics (e.g. local economy, living costs, wages, population density), education (e.g. field of study, type of institution, prior academic performance), and demographics (e.g. gender, national background, age, previous geographic mobility) influence mobility (see e.g. Karpestam & Gladoić Håkansson, 2021). Haley argues, however, that a relational interpretation of these concepts is lacking and introduces the concept of *social space*. The concept can, according to Haley, be understood through Bourdieu's definition and his concepts of *habitus* and various forms of capital (economic, social, and cultural capital) (Bourdieu, 1976, 1986; Haley, 2016). The relational element lies in the fact that an individual's *habitus* is created by the fields in which the individual is situated, but also by the individual's access to different forms of capital, which are partly provided through education. Haley's dissertation broadens the theoretical foundation for analysing mobility after higher education.

Thus, while many studies investigate HEIs' importance for local development, several research gaps remain. First, much previous research on "regional innovation systems" is based on large urban environments (see e.g. Benneworth & Hospers, 2007) and cannot provide solutions to the issues posed by growing spatial inequality. Second, much previous research investigate innovation, knowledge intensity in production, and production capacity (see e.g. Caniëls & Van Den Bosch, 2011), but to a lesser extent the mobility of human capital. Third, earlier research often operates at the macro level and uses aggregate data. When applying concepts like *social space* and *habitus*, a deeper understanding of the mobility of highly educated individuals after their studies may be gained from an individual-level perspective.

Clusters and creative places

The starting point in new economic geography (see e.g., Krugman, 1991, 1998; Porter, 1998) is that various types of business clusters generate synergies. Porter's concept of clusters — groups of interconnected firms, suppliers, related industries, and institutions that emerge in certain locations — has become a new framework for thinking about competitiveness and public policy. Firms within the same or related sectors create creative environments for knowledge and labour. Proximity to education can generate clusters, as education creates spillovers such as networks, knowledge transfer, and access to skilled labour.

Florida (2003) argues that certain environments — *creative centres* — attract creative individuals. These centres exhibit not only vitality and innovation but also increased employment and population growth. According to Florida, these places thrive because creative people are drawn to them. The key to creativity, economic development, and innovation lies in technology, talent, and tolerance — Florida's *three Ts*. Places with higher levels of technological density and tolerance have a competitive advantage because they attract more creative individuals. Florida's perspective can be viewed in relation to new economic geography, where places acquire certain characteristics, create attractive clusters, and become an important starting point for understanding the mobility of the highly educated.

Florida has gained a lot of critique, not at least for oversimplifying the concept of creativity and reducing it to a question of individual traits. More broadly, Florida's theory has been criticized for unclear causal mechanisms, an overemphasis on lifestyle and consumption factors, and a tendency to overlook issues of inequality and gentrification associated with creative-city policies (Glaeser, 2005; Peck, 2005). For example, Glaeser (2005) argues that conventional measures of human capital, particularly educational attainment, explain urban economic growth more effectively than Florida's creative-class indicators. Krätke (2011) critically examines Florida's concepts and argues that urban creativity should be understood not as an attribute of individuals or lifestyle preferences, but as a structural outcome of concentrated economic, social, and institutional interactions within cities. He introduces the concept of creative capital, distinguishing it from conventional notions of human capital. While human capital refers to individual skills and qualifications, creative capital is relational and collective, arising from dense networks of firms and institutions, face-to-face interaction and collaboration, and localized knowledge creation and exchange. By this, Krätke connects the question of creativity to Porter's concept of clusters, but also to Haley's idea of social space.

Economic and non-economic rationality

Why do people move to a particular place for their studies, and why do they later leave that place to work elsewhere? According to human capital theory (Becker, 1962), individuals invest in education based on the expected return on the investment. One cost of the investment may be relocating to another place. The decision to invest in education is based on the calculation of potential returns minus the costs of undertaking the education. However, it is not self-evident that individuals remain in the study location after completing their education (see e.g. Faggian & Mccann, 2009). The return on the educational investment (in the form of wages) may be maximized if individuals move elsewhere. According to neoclassical economic theory, wage differences drive voluntary migration. Through migration, human capital is redistributed

spatially, contributing to regional changes in labour supply and affecting the local level of human capital (Chen & Rosenthal, 2008; Greenwood, 1997). Thus, to get maximum return on an investment in human capital, people move to clusters where wages are higher. Non-pecuniary benefits, in the form of amenities such as climate, culture, and entertainment, can also function as magnets for labour (Marston, 1985; Roback, 1982).

Still, amenities are utilities that can have an economic value, e.g., in house prices. But there are also non-economic reasons to move, e.g., the urban norm (Sjöstedt, 2021; Wollin, 2023) or habitus (Hodkinson & Sparkes, 1997). The urban norm assumes that the city is the natural place for ambition, mobility means progress, and to stay local is the same as lack of aspiration. For example, Corbett (2007) discusses the ‘mobility imperative’ in rural schooling, exploring how young people in a coastal community in Canada ‘learn to leave’. In Corbett’s study, rural schools often frame desirable futures as ones that lie outside the rural community, usually in urban, professional, or knowledge-intensive environments. Uddbäck (2021) found that young people with more educational capital have a broader and more ambitious spatial horizon, doubting whether their career aspirations can be realised in the local area. The concept of the urban norm has been criticized for reinforcing the urban–rural dichotomy (Sjöstedt, 2021), which may be true. Still, as Wollin (2023) points out, it remains highly present in many people’s lives.

Hodkinson & Sparkes’ (1997) conceptual model *Careership* builds on Bourdieu’s concepts of capital and habitus but adds the concept of *turning points* — moments when individuals face important career decisions. These turning points may occur when finishing upper-secondary school or university, or when becoming unemployed. The outcome of such decisions is shaped by habitus, which determines the perceived horizon of possibilities. Thus, relocation may represent a rational choice from a strictly economic perspective, it may, from the perspective of the individual’s habitus, be perceived as a choice with no real alternative. Since habitus is cognitively dependent, individuals’ horizons shift based on life events (e.g., turning points). This suggests that, although the student originally intended to return to their hometown after completing their studies, experiences and cognitive mobility may have oriented the individual in a different direction. Thus, the individual’s habitus may have changed.

Can providers of higher education create knowledge clusters?

The pure existence of a HEI does not necessarily contribute to knowledge clusters. Huggins et al. (2008) reviews the structure and function of regional knowledge networks between universities and the business community. They argue that while universities contribute to regional economic development through knowledge transfer, they cannot alone drive regional innovation and knowledge-based economic transformation. Further, strengthened knowledge transfer may

have limited regional impact, if demand from regional firms is weak. However, as they continue “... perhaps the most important role of universities ... continues to be their human capital creation capacities and ability to produce highly skilled and employable new labour market entrants ...” (p. 334)

Huggins & Kitagawa (2012) investigate university knowledge transfer-related initiatives in Scotland and Wales. They find that both Scotland and Wales promote higher-education knowledge transfer as part of regional innovation systems, though shaped by different policy contexts. They conclude that while universities play a central role in regional innovation strategies in devolved regions, supply-side knowledge-transfer policies alone cannot drive regional economic transformation. Without stronger demand from regional firms and greater attention to globally embedded knowledge flows, universities and HEIs cannot fulfil this role on their own.

Also in Peters & May (2004), universities are framed as central, but not sufficient, institutions in regional development. They investigate, in a case study, the Manchester Knowledge Capital Initiative, and the attempt to create a ‘Knowledge Capital’ within the Greater Manchester conurbation. They argue that universities are central to regional development in the knowledge economy as hubs of knowledge clustering, human capital formation, and networked innovation, rather than merely as vehicles of technology transfer. However, universities’ effectiveness in contributing to regional development depends on collaborative governance arrangements, institutional incentives, and a balance between local engagement and global academic ambitions (Peters & May, 2004).

Andersson et al. (2009) investigate the economic effects of the Swedish decentralization of higher education on the level of productivity and innovation and their spatial distribution in the national economy. They conclude that policy had positive and measurable economic effects, both locally and nationally. Regions that received new or expanded university research capacity experienced higher labour productivity and greater innovative activity, as measured by output per worker and patenting, compared to regions without such investments. A key finding was that newly established universities generate larger marginal productivity and innovation effects than older, established institutions. However, these benefits are highly localized. Knowledge spillovers and productivity gains decay rapidly with distance, with roughly one-third to one-half of the total productivity effect occurring within 5 km of a university, and much of the remainder within 10 km.

Effects on education level of learning institutions' localizations

When it comes to educational effects of HEI's localizations there are some studies that give a clear result and a positive correlation between localization of HEI:s and educational inequality.

One of the strongest empirical studies is Bergh et al. (2024) who evaluated Sweden's higher education reform of 1977, which established twelve new regional institutions. They find a statistically significant increase in higher education completion rates in municipalities that received a new institution. The completion rate increased by around five percentage points ten years after the reform. Moreover, most of this increase in participation came from households in which neither parent had a higher education degree.

Similar findings have been reported in other national contexts. In the United States, Russell, Yu and Andrews (2021) exploit historical natural experiments in which some counties were selected as sites for new colleges while other closely competing locations were not. They find that counties that obtained a college have substantially higher educational attainment in the long run. College degree attainment is estimated to be about 58 percent higher in counties that received a college than in otherwise comparable "runner-up" counties. The authors argue that the local presence of higher education institutions has a direct effect on educational attainment rather than merely attracting already highly educated populations. As Russell et al. point out, postsecondary educational attainment rates vary widely across areas of the U.S. where 35% of adults in urban areas had a bachelor's degree or higher compared to only 20% in rural areas. As shown previously, this inequality may be even bigger in Sweden.

Jepsen and Montgomery (2009) analyze the impact of travel distance on community college enrollment decisions using data on over 150,000 mature workers (aged 25 to 49) in the Greater Baltimore area,. They find that distance is a highly significant factor in deciding whether to enroll in community college. They suggest, from their modeling, that if the typical resident had to travel three additional miles from home to the nearest college, enrollment could drop by as much as 14%.

Taken together, the existing evidence suggests that localization of HEI's matter. This suggests that decentralization and regional expansion of higher education institutions can contribute to widening participation and reducing educational inequalities. While the magnitude of the effects varies across national contexts, the overall pattern indicates that reducing geographic distance to higher education increases the likelihood that individuals, especially those from less privileged backgrounds and rural areas, pursue and complete post-secondary education.

Summary

Overall, the literature suggests that local higher education institutions contribute positively to educational attainment, human capital formation, and regional development. Evidence from Sweden, the United Kingdom, and the United States indicates that reducing geographic distance to higher education increases participation and completion rates, particularly among students from less advantaged backgrounds. However, the presence of a higher education institution alone is not sufficient to generate local economic transformation. The extent to which educational investments benefit local labour markets depends on graduate retention, regional demand for skills, and the existence of broader knowledge networks linking education providers, firms, and public actors. While research generally finds positive effects of higher education decentralization, important questions remain regarding the mobility of graduates and the mechanisms through which educational institutions shape local development.

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