IN FOCUS Universities UK

Universities UK

THE FUNDING ENVIRONMENT FOR UNIVERSITIES 2014

INTERNATIONAL STUDENTS IN HIGHER EDUCATION: THE UK AND ITS COMPETITION

HIGHER EDUCATION IN FOCUS

Contents

Executive summary

This report is the fourth in Universities UK's series *The funding environment for universities 2014*, and focuses specifically on international (non-European Union) students. It examines recent trends in international student enrolments in the UK, sets these within the context of an increasingly competitive market internationally, and assesses the potential impact of recent changes on universities, in terms of both course provision and the wider funding environment.

International students are of great importance both to the UK higher education sector and to the country more widely. Not only does their presence internationalise the academic environment and campus life, they also contribute more than £7 billion to the UK economy. Non-EU students made up around 13% of the UK student population in 2012–13, up from 10% five years earlier. Within certain subject areas and levels of study, a sustained level of international demand is vital to the provision of courses.

It is concerning, therefore, that, following several reforms made to the immigration system, the UK higher education sector as a whole has experienced two consecutive years of falling overseas entrants, in both 2011–12 and 2012–13.

Although by no means a dramatic drop-off in enrolments, this recent trend is in stark contrast to the levels of growth witnessed pre-2010. While demand has continued to surge from countries such as China, the number of Indian students commencing courses in the UK has almost halved in two years, and the number of international entrants to STEM courses has fallen by 10%, with postgraduate taught courses being particularly affected.

The higher education sector as a whole now sources around one-eighth of its income from international students' tuition fees. Stagnating or fluctuating demand from prospective students overseas can therefore leave institutions vulnerable or affect their ability to plan strategically in the long-term.

Evidence obtained from Universities UK members' institutions suggests a more positive picture could be starting to emerge in 2014. In addition, the number of university-sponsored applicants for student visas is growing, and the UK holds a 12.6% share of the market for internationally-mobile students, behind only the United States.

However, as this report highlights, international higher education is an increasingly competitive market, and the governments of the UK's competitors – including the United States, Australia, Canada, New Zealand and Germany – are each implementing bold strategies and policies, backed by investment, in an attempt to attract more international students to their own universities. This comes as the direction of policy in the UK continues to restrict international graduates' post-study work opportunities, and include overseas students within a wider target to reduce levels of net migration. In certain parts of the world, this environment continues to affect prospective students' perceptions of the UK.

For the UK, a return to sustained growth in international student recruitment is not a certainty in the current climate. With a spotlight remaining on the wider issue of immigration in public discourse, and with students constituting the largest portion of non-EU immigration, higher education institutions remain implicated within the government's drive to reduce net migration to the 'tens of thousands'. This, coupled with certain policy changes making the UK less competitive in attracting international students, and an absence of a formal government commitment to grow student numbers, has led to the UK recently experiencing stagnation in an industry where it traditionally excels.

As an export industry, higher education was worth a total of £10.7 billion in 2012, and could increase to far higher levels in future. In order to secure a return to growth, it is therefore important that the government:

- launches an international student growth strategy
- communicates a consistent message that the UK is welcoming to international students
- removes students from any net migration target
- enhances post-study work opportunities for international graduates

This will bring the UK into line with the direction of travel of its competitors, ensure that the sector's strong global position is maintained well into the future, and provide a more secure environment for universities looking to continue with or expand their current levels of provision.

Introduction

This report is the fourth in Universities UK's series *The funding environment for universities 2014*. It covers all areas of provision relating to international students from outside the European Union, within different levels of study, and across all subject areas.

The first section of this report sets out the importance of international students to UK higher education, and of the UK's world standing within this global market. The following sections focus on recent trends in international student recruitment in the UK following the implementation of immigration reforms, and the implications of this for universities. The final sections discuss the current opportunities and threats for universities recruiting students from overseas, and how these factors could potentially influence the funding environment for UK institutions.

1: International students enrolled in UK institutions

1.1 The importance of international students to higher education provision

In the academic year 2013–13, around one in eight students enrolled in UK higher education institutions was from outside the EU.[1] International students bring many benefits to the UK, which have been well articulated in recent years: they bring diversity to campus life and enhance the student experience for 'home' students; they support the provision of certain subjects, particularly at postgraduate level; and they provide a valuable source of income to universities and to local economies via expenditure on and off campus.

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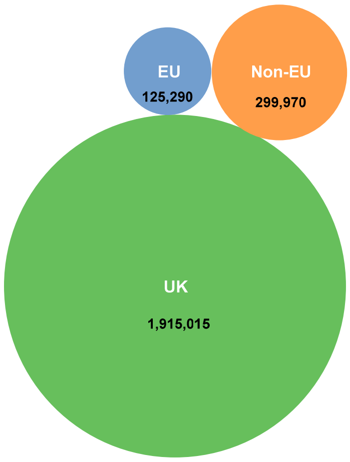
[1] HESA Statistical First Release, 2014:
https://www.hesa.ac.uk/dox/pressOffice/sfr197/280607_student_sfr197_1213_table_1.xlsx
It is worth noting that student numbers collated by HESA do not cover all higher education enrolments in the UK, and thus limitations apply. The HESA statistics in this report are derived from data collected from all publicly funded higher education institutions in the UK (including The Open University) and The University of Buckingham, which is privately funded. The figures therefore exclude higher education enrolments and qualifications obtained by students registered at UK further education colleges and at other private and independent UK higher education colleges. Higher education students for the purpose of HESA's data collection are those students on courses for which the level of instruction is above that of level 3 of the Office of Qualifications and Examinations Regulation (Ofqual) Qualifications and Credit Framework (QCF).

Figure 1: Students enrolled in UK higher education institutions by domicile, 2012–13

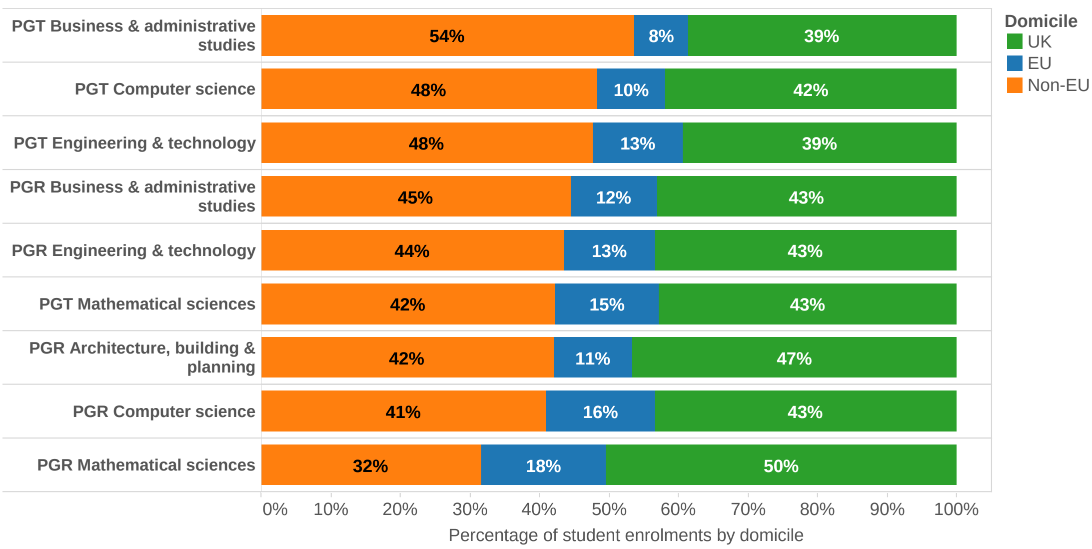


Source: HESA

Within UK institutions, international students are far more likely to be studying at postgraduate level than undergraduate. Whereas 18% of all UK-domiciled students were studying at postgraduate level in 2012–13, this compares to 51% of non-EU students (and 37% of EU students). Around one in four postgraduate students – both in taught and research programmes – are non-EU.

Where demand is high at postgraduate taught (PGT) level, the enrolment of international students can support the provision of certain subjects. They also make a significant contribution to the UK's research base. For example, almost half of all PGT students in computer science and in engineering and technology are non-EU, with slightly smaller proportions at postgraduate research (PGR) level.

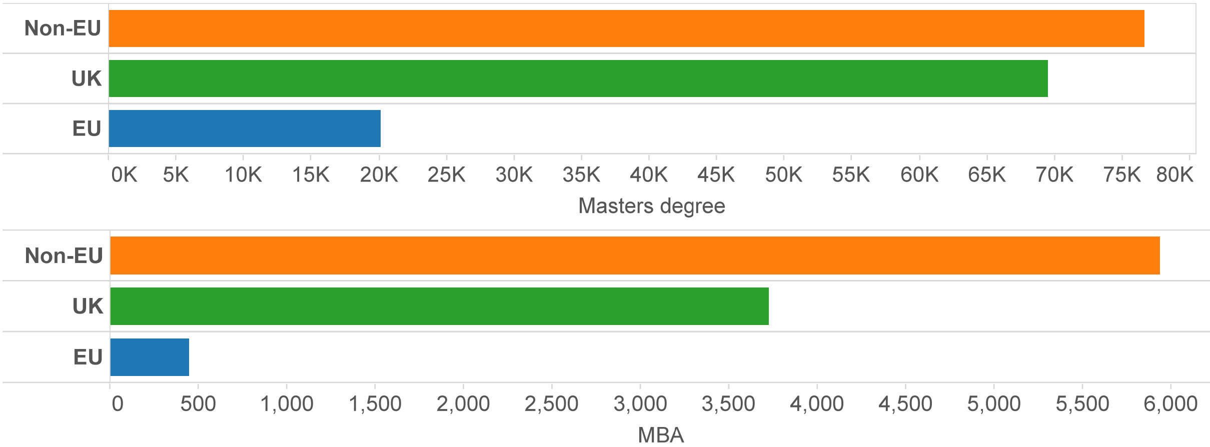
Figure 2: Postgraduate students by subject area and domicile, 2012–13



Source: HESA

In addition, the majority of PGT students who qualified in 2012–13 with a Master's or MBA qualification were non-EU. While overall there are more students from the UK enrolled at these levels, because home students are more likely to enrol part-time, non-EU students constitute larger proportions of both the intake and qualifying cohorts each year.

Figure 3: Student qualifiers in 2012–13 whose course aim was a Master's degree* or MBA, by domicile



*Master's degree obtained typically by a combination of coursework and thesis/dissertation
Source: HESA

In certain areas, demand from international students is therefore vital to the continued sustainability of postgraduate courses – significant proportions of entrants and qualifiers are from overseas, thus their presence can support the provision of subjects which are of strategic importance to the UK economy, such as engineering and computer science. As will be discussed later in this report, fluctuations in demand from overseas can leave institutions vulnerable or affect their ability to plan strategically in the long term.

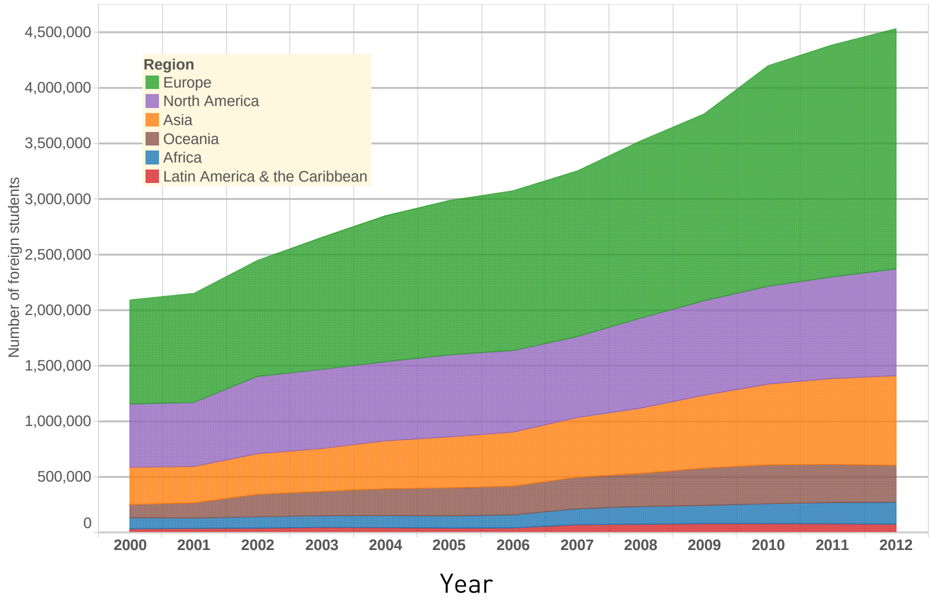
Aside from this, the recruitment of students overseas is important to universities in the development of inter-country relationships and can also have implications for the development of transnational education programmes.

1.2 The UK higher education sector's world standing

Globally, the market for international students is showing significant signs of growth and, within this, the UK holds an enviable position.

The number of students seeking a tertiary-level education outside their country of citizenship has increased dramatically since 2000. The OECD estimates that, by 2012, the number had more than doubled from 2.1 million to over 4.5 million, with the majority opting to study in the United States or Europe.[2]

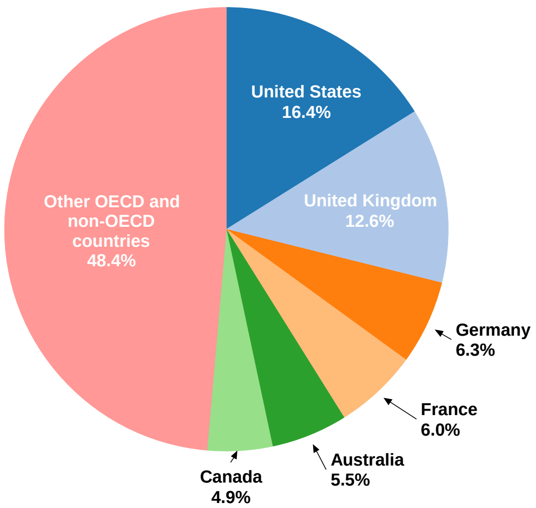
Figure 4: Foreign students enrolled outside their country of citizenship by location of study, 2000–2012



Source: OECD

Both UNESCO and OECD data on mobility show that the UK was in a strong position internationally in 2012: only the United States attracted more mobile students. The OECD estimates that the UK has a 12.6% share of the global student recruitment market.

Figure 5: Shares of the international student market, 2012



Source: OECD

[2] OECD (2014) *Education at a Glance*: http://www.oecd.org/edu/eag.htm

However, UNESCO notes that the top five study destinations, as a whole, have seen their share decline since 2000. This is primarily due to the emergence of new rivals entering the market in certain regions – in East Asia and the Pacific it is China and Malaysia, and in the Middle East it is Egypt, Saudi Arabia and the United Arab Emirates (UAE). With increasing options available, more students are now opting to stay closer to home. As an example, in 2012 the UAE outpaced the UK in attracting students from the Arab states.

In 2009, it was estimated that the number of internationally-mobile students could increase to 7 million by 2020.[3] However, while the number of mobile students increases, so does the competition, and the UK must work hard to keep hold of its strong position in this market. To take China as an example, significant investment in higher education and in bolstering capacity for research has resulted in several Chinese universities shooting up the global rankings. Figures provided by the China Scholarship Council suggest that international student enrolments there have grown from 195,503 in 2007 to 328,330 in 2012 – an increase of 68%.[4]

2: Recent reforms and trends

2.1 Government reforms to the student immigration route

As part of Universities UK's 2013 report on the funding environment for higher education, the various reforms made to the Tier 4 immigration route from 2011 were documented.[5] The policy changes affected both institutions (in terms of their responsibilities for monitoring international students and their compliance with the immigration system), and students themselves.

Since then, further changes have been made to the Tier 4 immigration route, with announcements in September 2013 and April 2014. These are detailed in Table 1.

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[3] Altbach PG, Reisberg L, Rumbley L (2009) *Trends in Global Higher Education: Tracking an Academic Revolution*: http://unesdoc.unesco.org/images/0018/001831/183168e.pdf
[4] Project Atlas: http://www.iie.org/Services/Project-Atlas/China/International-Students-In-China and Institute for International Education: http://www.iie.org/~/media/Files/Services/ProjectAtlas/Project-Atlas-Trends-and-Global-Data-2013.ashx
[5] Universities UK (2013) *The funding environment for universities: an assessment* pp.41–42: http://www.universitiesuk.ac.uk/highereducation/Documents/2013/FundingEnvironmentForUniversities.pdf

Table 1: Changes to the immigration rules affecting Tier 4 since September 2013

Change to the immigration rules	Details
The 'genuineness' test has been expanded to include Tier 4 applications for further leave to remain	Applicants are required to produce evidence to the Home Office that their application for an extension of stay as a student is genuine
The exemption from credibility testing of low-risk nationals has been abolished	Student applicants of all nationalities are now subject to credibility testing
Tier 4 graduates who have completed their degrees in the UK are allowed to switch into a 12-month internship under the Tier 5 Government Authorised Exchange category	Graduates can switch provided the internship directly relates to their degree

In addition to this, in May 2014 the Home Office received Royal Assent for the Immigration Bill, which now becomes the Immigration Act 2014. This contains the provisions set out in Table 2 affecting prospective international students (and staff).

Table 2: Provisions in the Immigration Act 2014 with implications for students

Provision in the Act	Details
Removal of appeal rights for students and staff applying for further leave to remain in the UK	Only the option for an administrative review will be available
Introduction of a surcharge for access to NHS services (for those coming to the UK for at least 6 months, including students' dependants)	For students, the surcharge will be £150 per annum, and £200 for other migrants
Introduction of a requirement that private landlords check the immigration status of their tenants	To be introduced in the West Midlands region initially as a pilot. Accommodation owned and managed by universities are exempt (as are residential tenancy agreements where a student has been nominated to occupy the accommodation by a higher education institution)
Increase in the scope for government to raise fees for visas and immigration services	The setting of fees should take account of similar charges that exist elsewhere in the world, and of the 'promotion of economic growth'

At this stage, it is unclear exactly when these various provisions will take effect.

Despite surveys showing that more than three-out-of-four people want immigration into the UK reduced, research also suggests that this is more highly associated with certain types of migrant. Separate opinion polls conducted by YouGov[6], for The Migration Observatory[7] and for Universities UK with British Future,[8] have each shown that there is actually minority support for a reduction in the numbers of people wanting to come and study at UK universities.

Nevertheless, the issue of immigration remains highly politicised, and the Conservative manifesto pledge from 2010 to cut net migration from the hundreds of

[6] 'What We Believe About Immigration', YouGov, November. 2013: http://yougov.co.uk/news/2013/11/25/what-we-believe-about-immigration/
[7] 'UK Public Opinion toward Immigration: Overall Attitudes and Level of Concern', The Migration Observatory, February 2012: http://www.migrationobservatory.ox.ac.uk/briefings/uk-public-opinion-toward-immigration-overall-attitudes-and-level-concern
[8] Universities UK and British Future (2014) *International students and the UK immigration debate*: http://www.universitiesuk.ac.uk/highereducation/Documents/2014/InternationalStudentsImmigrationDebate.pdf

thousands to the 'tens of thousands' remains. In May 2014, the prime minister said of the target: 'We are doing everything we can to deliver on it'.[9]

The latest estimate of net migration – which the government measures its progress against – suggests that, in the year to March 2014, the overall number of long-term migrants coming to the UK was 243,000 higher than the number leaving. Recent months have seen rising numbers of migrants arriving in the UK from within the EU for work (evidenced in the increasing levels of National Insurance numbers registered to EU citizens).[10]

It remains to be seen whether any measures additional to those listed will be enacted that will affect Tier 4 or other immigration categories that international graduates are able to switch into after completing their course. In describing the recent reforms made to the student visa system in the UK, the government stated that there have been 'a number of myths and inaccurate perceptions'.[11] The handling and communication of any such changes in future can affect overseas perceptions of the UK more widely, and consequently impact on university student recruitment.

2.2 Recent trends in international student enrolments

According to the Office for National Statistics, overall levels of non-EU student immigration have been falling since 2011[12], and Home Office data on the number of non-EEA citizens admitted into the UK to study shows a similar trend.[13] However, both these sets of statistics cover all students coming to study at all providers. The trend in higher education enrolments, as highlighted in red in Figure 6, shows only a marginal decline since 2011.

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[9] 'David Cameron cools on pledge to cut net migration to tens of thousands by May 2015' *Telegraph* 18 May 2014: http://www.telegraph.co.uk/news/uknews/immigration/10839268/David-Cameron-cools-on-pledge-to-cut-net-migration-to-tens-of-thousands-by-May-2015.html

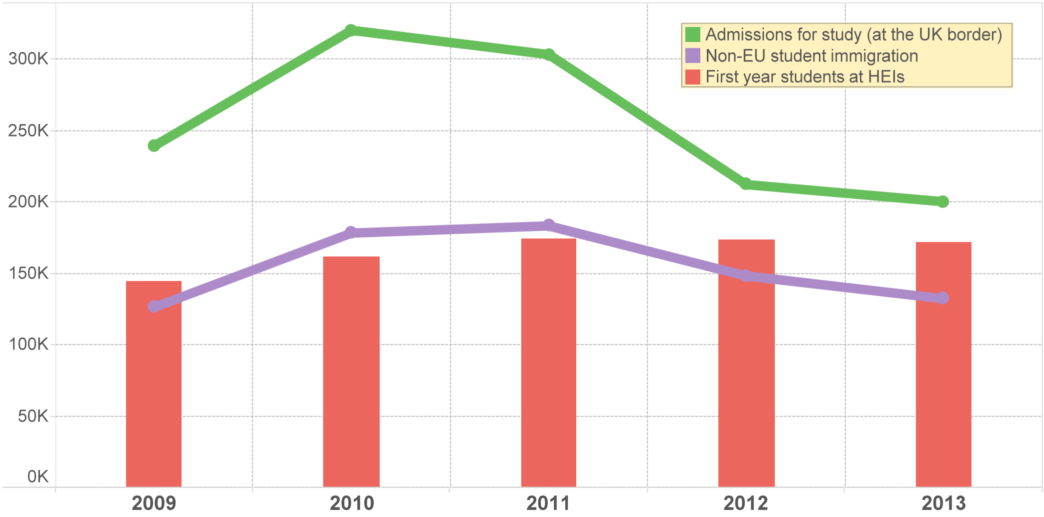
[10] Migration Statistics Quarterly Report, August 2014, Office for National Statistics: http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/august-2014/index.html

[11] *Government Response to the House of Lords Science and Technology Select Committee Report: International Science, Technology, Engineering and Mathematics (STEM) students*: http://www.parliament.uk/documents/lords-committees/science-technology/IntlSTEMstudents/GovtResponseIntlSTEMstudents.pdf

[12] 'Net migration to the UK was 243,000 in the year ending March 2014, according to latest provisional estimates', Office for National Statistics, 2014: http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/august-2014/sty-net-migration.html

[13] Home Office immigration statistics, April to June 2014: https://www.gov.uk/government/statistics/immigration-statistics-april-to-june-2014-data-tables

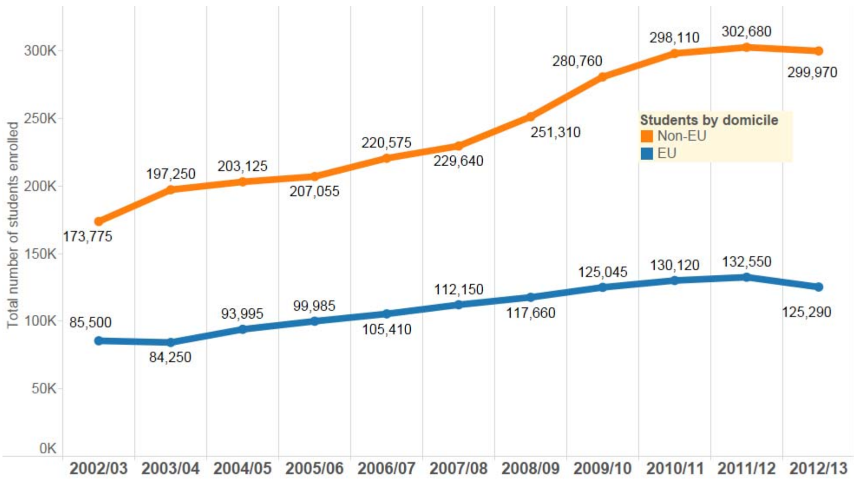
Figure 6: Trends in international student arrivals and course commencements[14]



Sources: ONS, Home Office, HESA

Research carried out for Universities UK and British Future in 2014 showed that the majority of the public believe that the government should not reduce international student numbers. However, academic year 2012–13 was the first in which the size of the total non-EU student population decreased, from 302,680 in 2011–12 to 299,970. Although this decline was small – in the region of 1% – it is noteworthy because the number of students around the world who are seeking a tertiary-level education overseas is growing. At the same time, the number of EU students enrolled within UK institutions decreased by more than 5%, from 132,550 to 125,290.

Figure 7: Trends in non-EU and EU student numbers, higher education institutions only

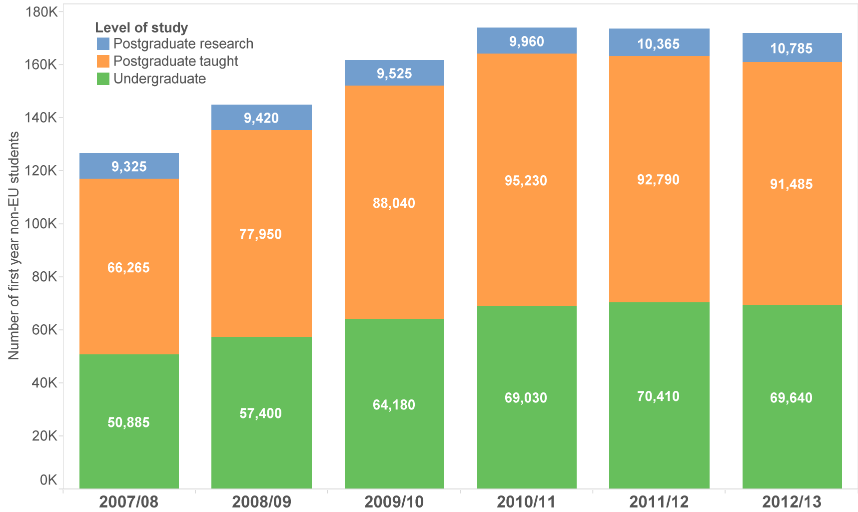


Source: HESA

[14] Home Office estimates on admissions exclude 'student visitors' but are higher still higher because they include students intending to stay for less than a year, as well as the dependants of those immigrating for the purpose of study. Data on admissions and immigration in this chart is for the year ending June; enrolment data is based on academic years.

The numbers in Figure 7 relate to students enrolled across all years. The number of international students *starting* a course offers an even better indication of demand from overseas than counting students who have been in the UK for at least a year already. This data shows that the number of students commencing a higher education course has been decreasing since 2011, primarily due to fewer postgraduate taught-level entrants. As Figure 8 shows, overall, the number of first year students fell by 1.3% between 2010–11 and 2012–13, from 174,225 to 171,910. If excluding students from Switzerland and those non-EU countries that are members of the European Economic Area, the decline is 1.7%.

Figure 8: First year non-EU student enrolments by level of study, 2007–2013

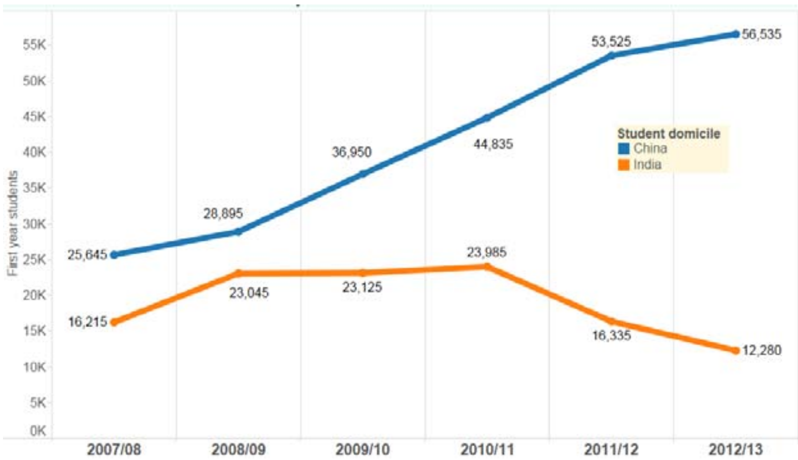


Source: HESA

The overall decline is slight, but it is in stark contrast to the strong growth in international recruitment witnessed pre-2010. Also, within these totals, the number of postgraduate taught entrants fell by almost 4% between 2010 and 2012, from 95,230 to 91,485.

However, while overall enrolments of international students in UK higher education have declined, it is not true to say that each subject area or country of student domicile has followed the same trends. The two countries with the highest numbers of outwardly-mobile students are China and India – and they remain the UK's two largest providers of students from outside the EU. In recent years, the proportion of non-EU students from both countries combined has grown, from 36% in 2008–09 to 40% in 2012–13. However, as shown in Figure 9, underneath this trend, the Indian student population has been shrinking significantly, whilst the Chinese student population continues to grow.

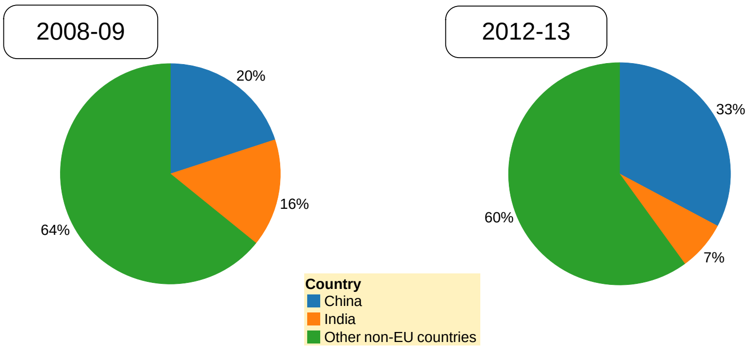
Figure 9: First year enrolments of students from China and India, 2007–2013



Source: HESA

In 2012–13, one in three new international entrants was from China, up from one in five in 2008–09. Comparatively, Indian students represented around one in fourteen entrants in 2012–13, down from around one in six in 2008–09.

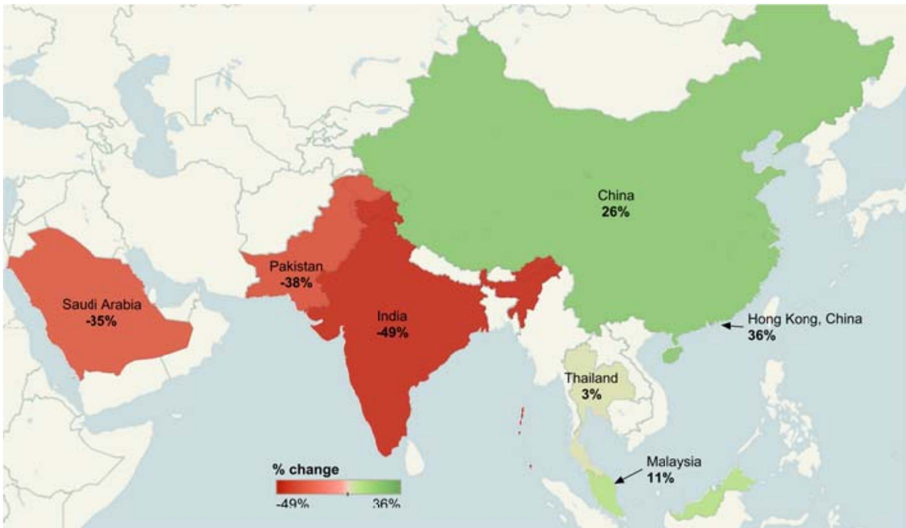
Figure 10: Domicile of non-EU student entrants, 2008–09 and 2012–13



Source: HESA

Of those Asian countries sending more than 2,000 higher education students to the UK, there is a stark contrast between what is happening in terms of south Asia and parts of east Asia. The number of Indian students starting courses in UK universities has almost halved in two years, whereas several other countries are sending significantly more students to the UK than two years previously.

Figure 11: Change in number of first year enrolments between 2010–11 and 2012–13 from selected Asian countries

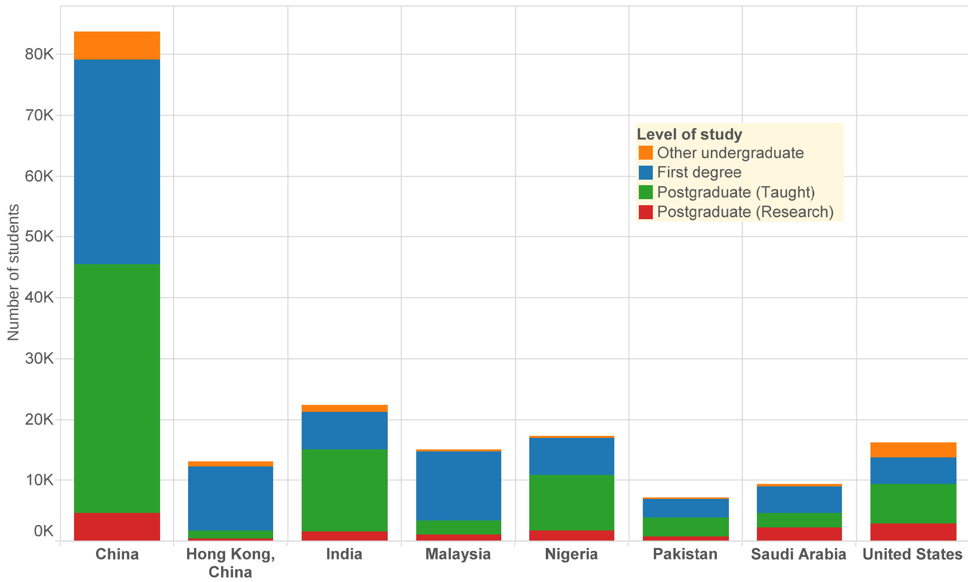


Source: HESA

Certain courses are more popular with students from certain countries. Similarly, students from some countries are more likely to come to the UK to enrol at postgraduate level, and some at undergraduate. Therefore, fluctuations in demand from specific countries may lead to an uneven distribution of growth between courses and subject areas.

As shown in Figure 12, students from some countries where declining enrolments have been noted, such as India and Nigeria, are more likely to study at PGT level. Comparatively, countries where growth has been noted, such as Hong Kong, China and Malaysia, have high proportions of students enrolled in undergraduate study.

Figure 12: Non-EU student enrolments by domicile and level of study, 2012–13

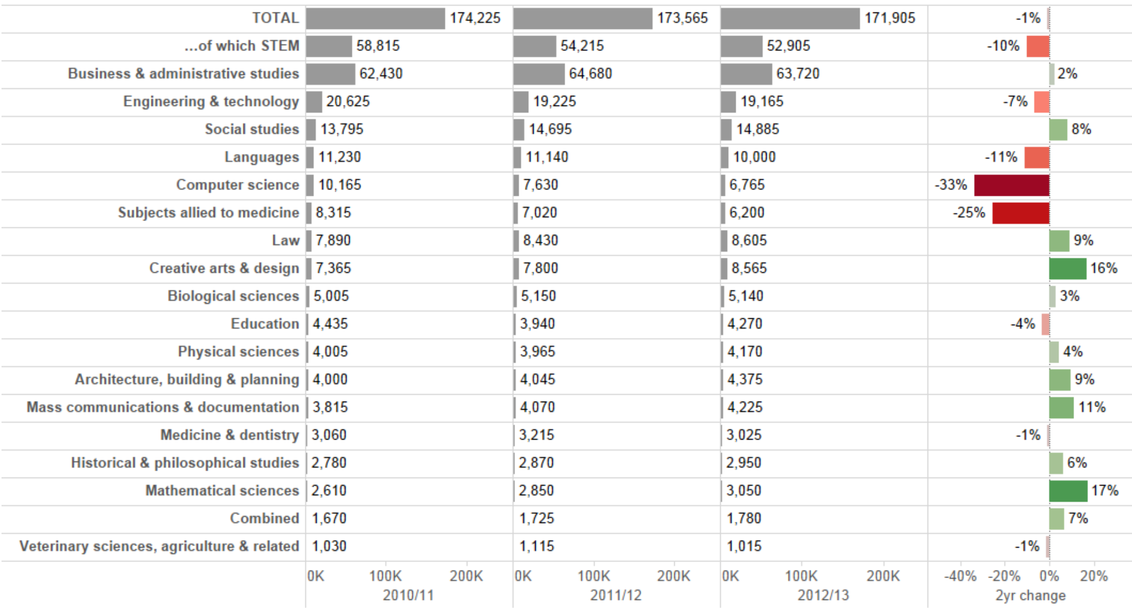


Source: HESA

A continued fall in demand from countries such as India can have particular implications for the provision of certain PGT courses. Such fluctuations can also lead to uneven growth between subject areas. For example, the levels of growth from China have been extremely high in recent years. However, in 2012–13, 49% of all Chinese students were enrolled onto courses in business and administrative studies. This equated to more than 41,000 students. Five years earlier, the number was less than half of that (19,750).

In terms of other subjects, the number of entrants overall onto STEM courses has fallen by 10% in two years. This is primarily due to declining numbers of students starting courses in subject areas typically popular among international students from countries such as India, Pakistan and Nigeria. For example, Figure 13 shows that the number of entrants into computer science fell by one-third between 2010–11 and 2012–13.

Figure 13: Non-EU entrants by subject area, 2010–2013



Source: HESA

The recent decline in the size of the non-EU student population has been largely limited to STEM subject areas. As shown in Figure 14, enrolments in non-STEM subjects have stagnated rather than declined overall, although this still compares unfavourably to the double-digit growth seen in 2009–10.

Figure 14: Year-on-year changes in non-EU student entrants

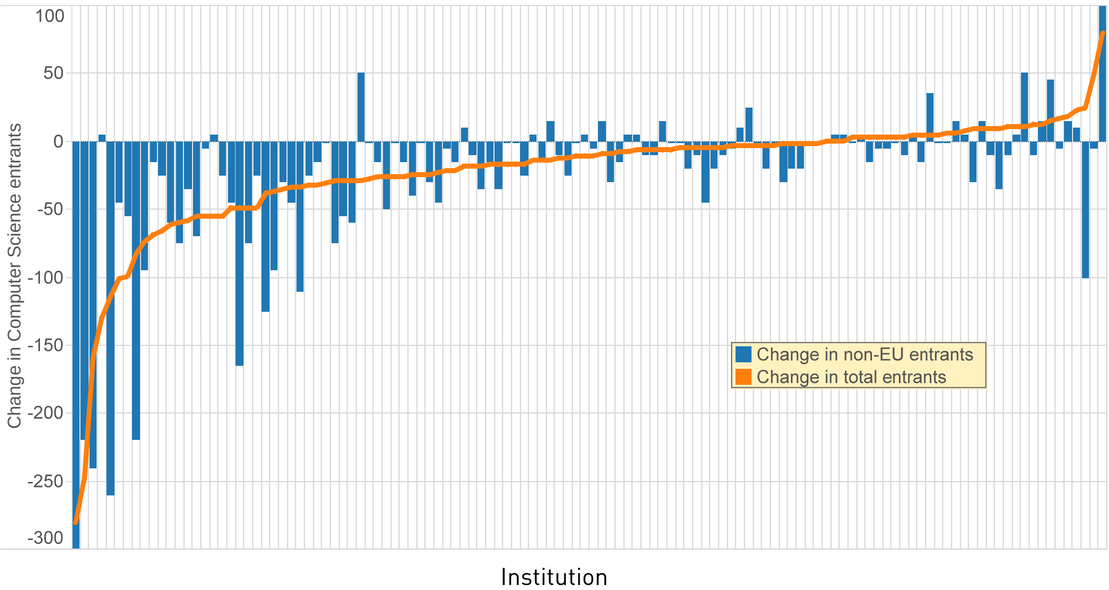
Subject area	2009/10	2010/11	2011/12	2012/13
STEM	9%	5%	-8%	-2%
Non-STEM	13%	9%	3%	0%
Total	12%	8%	0%	-1%

Source: HESA

As highlighted earlier, international students support the provision of certain STEM subjects, thus enabling home students to study such courses. In some areas where overall growth is being reported, this can also mask some underlying trends at a subject-specific level. Reductions in the number of entrants in certain areas could threaten course viability.

Taking computer science as an example, Figure 15 shows how the number of non-EU entrants has changed within each institution between 2010 and 2013, as well as the change in entrants of all domiciles combined. In many institutions, a reduction in overseas entrants is what has contributed to sometimes significant overall declines in enrolments.

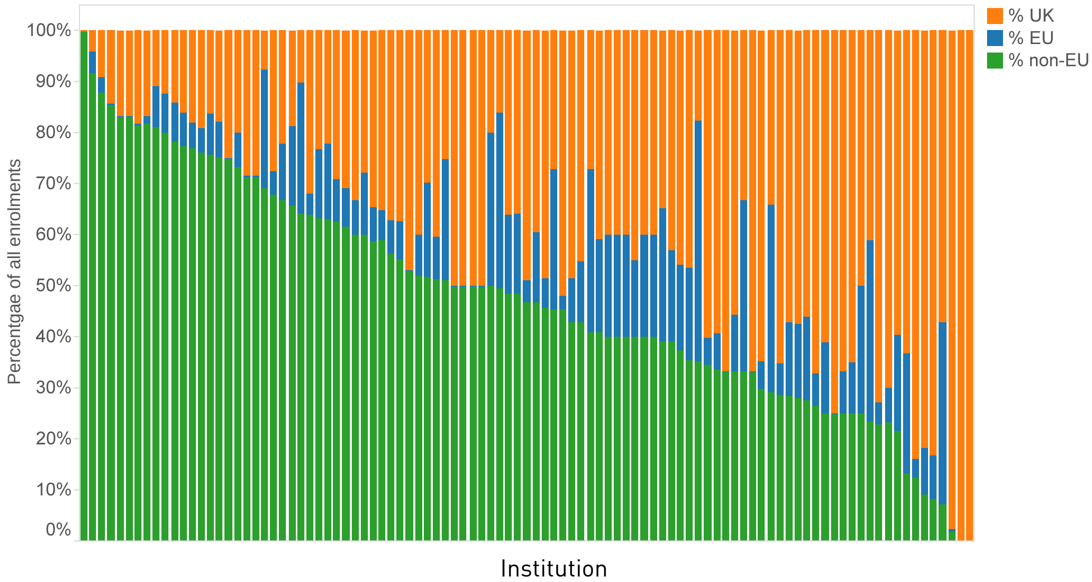
Figure 15: Change in the number of entrants into computer science courses, 2010–11 to 2012–13



Source: HESA

Of those institutions providing PGT level courses in engineering and technology, around half enrol 50% or more of their students from non-EU countries. Therefore, without sustained demand from overseas some of these courses could become unviable, thus reducing the opportunity for students from the UK to study particular subjects.

Figure 16: Engineering and technology students by domicile, PGT level, 2012–13



Source: HESA

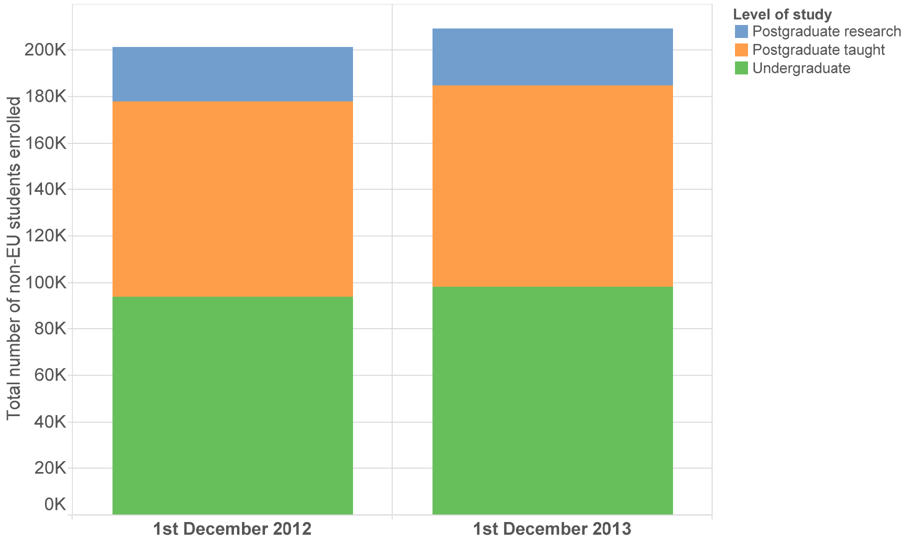
3: The picture in 2013–14

The HESA data already analysed in this report covers the period to academic year 2012–13. The detailed student record for 2013–14 will not be published until early 2015. However, it is important to understand the environment now in order to be able to draw conclusions about trends.

3.1 Universities UK enrolment survey

To address this gap in evidence, in spring 2014 Universities UK surveyed its members' institutions on international student recruitment in academic year 2013–14 in order to identify whether the trends highlighted so far have continued. While not necessarily representative of the entire higher education sector (as 104 institutions provided data of a total of 134 approached), there are nonetheless some notable patterns that have emerged from the data provided.

Figure 17: Responses to UUK survey – number of non-EU students enrolled in December 2012 and December 2013



Source: Universities UK survey

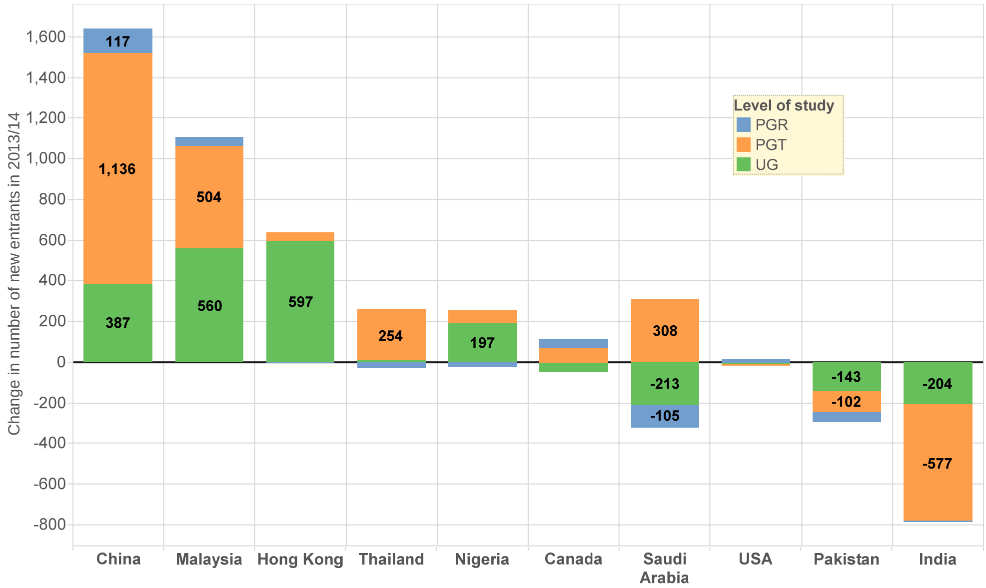
Overall, compared to the previous year, institutions from across the UK were more likely to report growth in overseas entrants for 2013–14 than a decline, and this was at all levels of study (undergraduate, postgraduate taught and postgraduate research). However, aggregated data provided by Scottish institutions showed a different picture – declines were in fact reported overall, and at each level of study.

In comparison, among the respondents from England, there was an increase reported in the number of entrants from eight of the top ten source countries for non-EU students, particularly in the number of Chinese PGT entrants. HEFCE's census data for 2013–14 suggests a similar picture for England. According to the Higher Education Students Early Statistics (HESES) Survey, the number of full-time entrants from the 'islands and overseas' increased by 1.7% in 2013–14, with growth at all levels of study.[15]

Universities UK's survey has highlighted a growing imbalance between students arriving from south Asia and those from east and south-east Asia. Of the top ten markets for overseas students it is China, Malaysia and Hong Kong fuelling growth overall. The number of new entrants from China was highly concentrated at PGT level, whereas numbers from Hong Kong are more apparent at undergraduate level. In comparison, further declines – at all levels of study – were notable from India and Pakistan.

[15] Higher Education Students Early Statistics Survey, Higher Education Funding Council for England (2014): http://www.hefce.ac.uk/whatwedo/invest/institns/annallocns/1314/

Figure 18: Responses to UUK survey – change in number of new entrants in 2013–14 compared to 2012–13, by student's country of origin and level of study

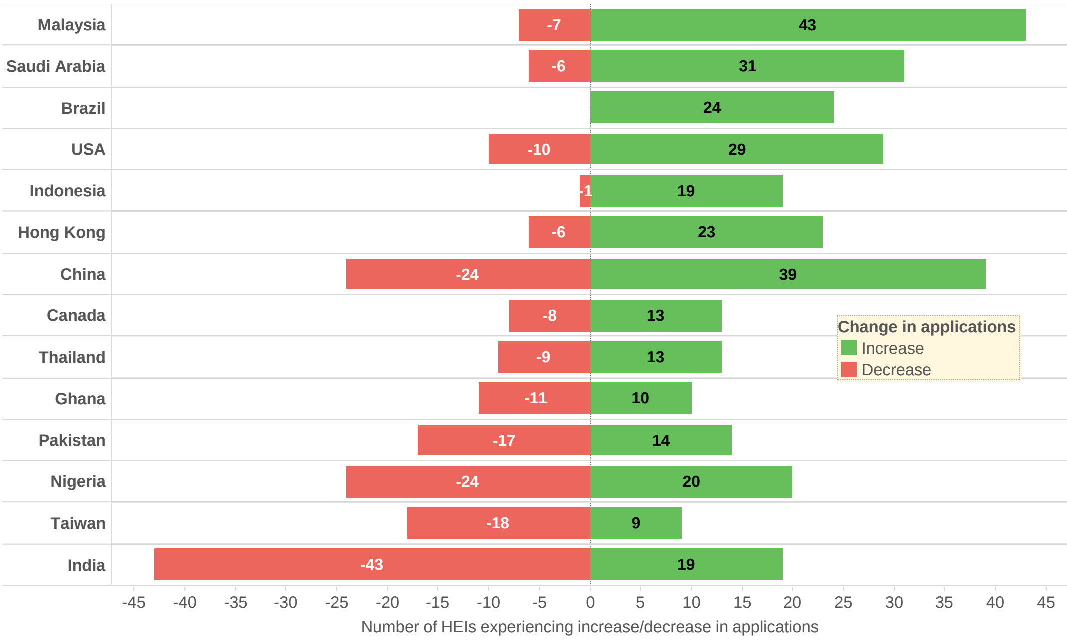


Source: Universities UK survey

As part of the survey, Universities UK asked how applications for 2014–15 compared to the previous year – and whether there were any notable increases or decreases from specific countries. Figure 19 ranks those countries receiving the highest numbers of mentions and by whether a net increase or decrease was reported overall.

Malaysia ranked top in terms of net increase, in that 43 institutions reported a growth in applications compared to 7 reporting a decrease. This was followed by Saudi Arabia, which is significant given the recent downturn in applications and enrolments noted earlier. All references to Brazil were that applications were growing – likely bolstered by the Science without Borders programme. Worryingly, applications from India still appear to be declining.

Figure 19: Responses to UUK survey – change in the number of applications for study in 2014–15 compared to the previous year, by applicant's country



Source: Universities UK survey

The continued decline in entrants and applications from the Indian subcontinent is significant, because data from the United States and from Australia suggests there are growing numbers enrolling in both countries:

- In 2013, the number of Indian students enrolled in higher education in Australia increased by 33% to 16,732. The number of Pakistani students enrolled also grew in 2013 – by 39% to 5,681. More recent data suggests that growth is continuing.
- In the United States, recent data looking at the number of F-1[16] student visas issued to Indian nationals shows that, in 2013, there was a strong increase compared to the previous year.

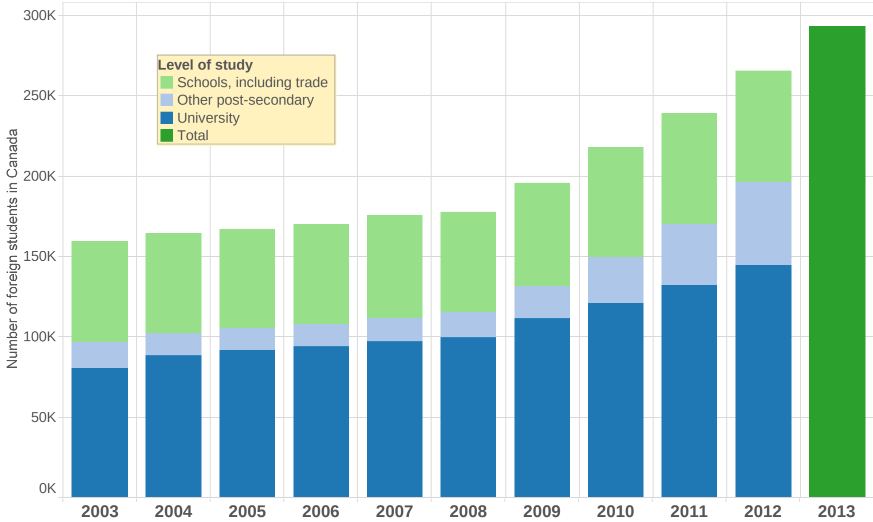
Students from certain countries, like India, are increasingly attending institutions in other countries, while demand for UK study continues to decline.

One study destination continuing to show strong growth is Canada, where the number of foreign students present has increased by 84% since 2003, from around 160,000 to more than 293,000 in 2013. Between 2003 and 2012, the numbers specifically enrolled in universities grew by 79%, and enrolments in other post-secondary education have more than trebled. (For 2013, the breakdown by level of

[16] F-1 visas are needed in order to enter the United States to attend a university or college, but also high schools and language training programmes.

study is not yet available, but it appears likely that there has been another strong increase in the university sector.)

Figure 20: Foreign students enrolled in Canada, by level of study



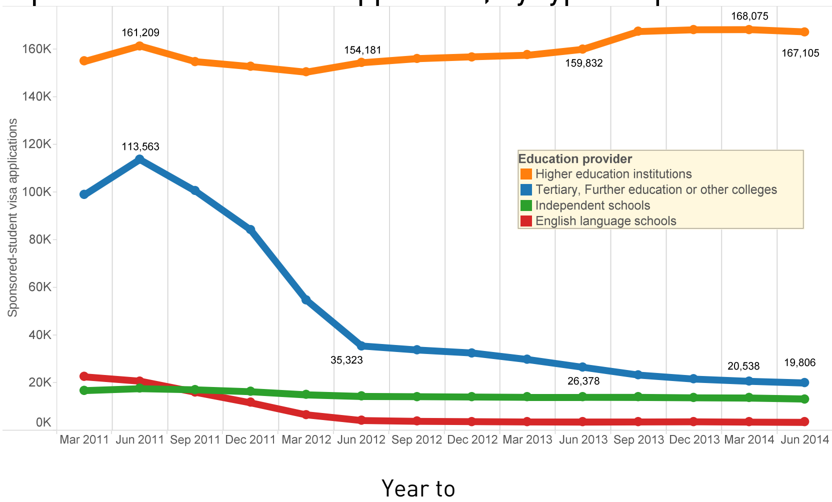
Source: Citizenship and Immigration Canada. Schools data includes those listed as 'other'

3.2 Student visa applications for UK study

The issuing of student visas also provides a useful indication of changing demand in the UK. Since the implementation of reforms affecting the student immigration route, the overall number of student visas issued has fallen, from 285,544 in 2010 to 218,625 in 2013. This covers international students enrolling at all types of provider, and their dependants.

Figure 21 shows recent trends in the number of student visa applicants disaggregated by the type of education provider sponsoring them. This data shows that the further education sector has seen very significant falls in demand and in student sponsorship. The numbers applying for visas – having already been accepted and sponsored by a higher education institution – has recently shown signs of growth after a period of decline. Figure 21 shows that, following a 4.4% fall in the year to June 2012, the most recent data shows that university applicant numbers increased by 4.6% to 167,105 in the year to June 2014 (up from 159,832 in the previous 12-month period), although there has been a decrease of around 1,000 applicants compared to the year to March 2014.

Figure 21: Sponsored student visa applicants, by type of sponsor

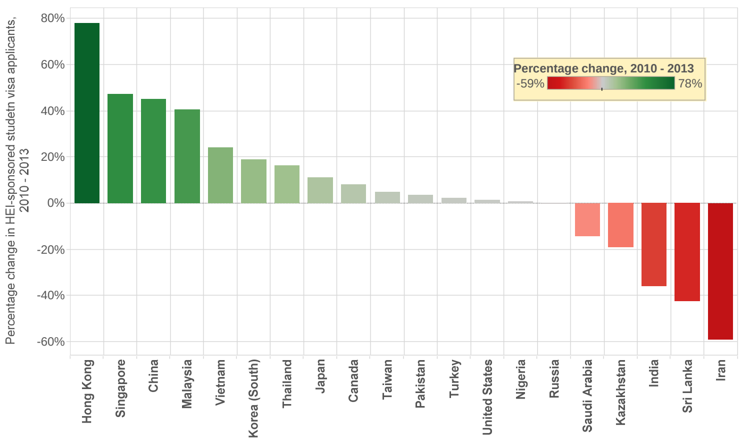


Source: Home Office

Although it remains to be seen what the full impact might be in the medium term of the sharp fall in further education applicants – because many pipelines and pathways into university would have been affected by this change – this most recent set of statistics is encouraging for the higher education sector. In addition, as it relates specifically to those applying out-of-country (as opposed to students already in the UK seeking to extend their visas), it provides an indication of changing demand from the viewpoint of those perhaps yet to experience life studying in the UK.

At a more disaggregated level, this data shows a picture consistent with that on enrolments: growing demand from China and weakening demand from India. Looking at how higher education visa applications have changed between 2010 and 2013 from the top 20 countries, there is a clear split between a growth in students applying from the East Asia and Pacific region compared to the Indian subcontinent and parts of the Middle East.

Figure 22: Change in higher education institution-sponsored visa applicants, 2010–2013, by nationality



Source: Home Office

4: Opportunities and threats to the recruitment of international students

So far, this report has discussed the recent trends in international student recruitment in the UK – as far as is possible to evidence – up to 2013. This section will focus on the existing factors, many of which are outside of universities' control, which could continue to impact this area of provision. Sections 4.1 to 4.5 focus on threats, while both 4.6 and 4.7 focus on opportunities.

4.1 The UK higher education sector's competitors

Governments overseas are increasingly focusing on the expanding market of international education and the value of education exports to their own economies. By 2013 the number of overseas students arriving in the UK was falling, whereas increasing numbers of students were opting to study in the United States, Canada and Australia.

The UK's international education strategy, published in 2013, acknowledges that, when it comes to attracting overseas students, 'competition from other countries is intensifying', but that it is also 'realistic' for the number of international higher education student numbers in the UK to grow by 15 to 20% over the next five years. However, since the publication of this strategy, HESA announced that the number of students from outside the UK actually fell by just over 2% in 2012–13. Therefore, much work needs to be done in the immediate future to ensure that the expected level of growth remains achievable.

The strategy does set out an encouraging set of actions aimed at strengthening the UK's global position within this market and to help rectify some misunderstandings of the visa system that are evident in certain parts of the world. However, there is no firm commitment within the strategy to an actual target for increasing recruitment, as was seen in the Prime Minister's Initiatives of the last decade. This puts the UK in a weaker position in comparison to several key competitors.

Table 3: Competitor countries' strategies to attract students from overseas

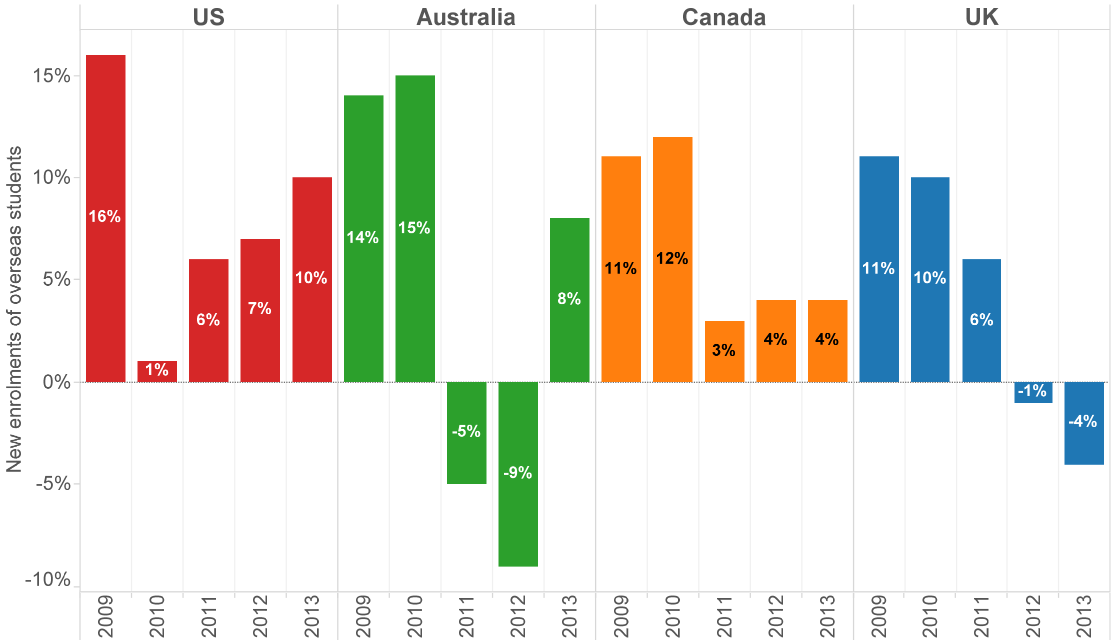
Country	Details
Canada	The government's 2014 International Education Strategy includes a target to attract more than 450,000 international students to the country by 2022, from 265,400 in 2012. It is anticipated that this change alone will almost double the level of international student expenditure from $8.4 billion to $16.1 billion over the same period.[17]
Australia	Following a high dollar and a set of 2009 reforms to the immigration system, which led to a downturn in overseas student numbers, recruitment levels now appear to be growing again. The International Education Advisory Council estimates that Australia can expect to host an additional 117,000 international students by 2020.[18] The government has recently introduced generous post-study work entitlements in an attempt to lure students back to the country. As of mid-2013, those qualifying from an Australian university are entitled to switch onto a work-based visa for between two and four years, depending on the level of qualification obtained. For prospective university students, the visa system has now been streamlined, marking them specifically as a lower immigration risk and requiring less evidence to support their application.
United States	President Obama's immigration reform proposals include measures to encourage foreign graduate-level students to stay in the country and contribute to the economy by 'stapling' a green card to the diplomas of those qualifying in a STEM subject. It is also possible for STEM graduates to request a 17-month extension to their Optional Practical Training, taking the total time possibly spent working after studying to 29 months.
Germany	In early 2014, Germany's coalition government finalised a treaty pledging to internationalise higher education by attracting more non-EU students to its universities. The German Academic Exchange Service (DAAD)'s president has said its aim is to 'attract the international academic elite', and increase the overall number of foreign students from 300,000 in 2013 to 350,000 by the end of the decade.[19]

[17] Government of Canada: http://www.international.gc.ca/media/comm/news-communiques/2014/01/15a.aspx?lang=eng
[18] *Australia – Educating Globally, Advice from the International Education Advisory Council* (2013): https://aei.gov.au/IEAC2/theCouncilsReport/Documents/Australia%20%E2%80%93%20Educating%20Globally%20FINAL%20REPORT.pdf
[19] See: http://thepienews.com/news/daad-annual-report-shows-germany-track-2020-goal/

In France, President Hollande plans to simplify visa processing and extend post-study work rights. There are also ambitious targets for overseas student recruitment in several Asian countries, including China and Malaysia, as well as New Zealand.

With such international competition, the UK's ability to retain its strong position as the second most popular study destination is far from secure. In fact, comparing the growth rates of foreign student entrants into UK higher education to that of other market leaders, the United States, Canada and, once again, Australia are outperforming the UK. Of these four countries, only the UK experienced a decline in entrants in 2013 – of 4% (or 1% if excluding EU students) – while Australia has shown a remarkable return to growth.

Figure 23: Year-on-year change in the number of foreign student entrants in the UK[20] and its competitors



Sources: Institute of International Education, Australian Education International, Citizenship and Immigration Canada, HESA
Note: There are slight definitional differences between the above countries in what constitutes a 'foreign student'.

Research into student applicant behaviour suggests that international students are most likely to decide on which course they want to study first, with their choice of

[20] * Figures for the UK include EU as well as non-EU students. This is because there is no equivalent freedom of movement enjoyed by EU citizens that would apply for a foreign student studying in the United States, Canada or Australia. This is also what the OECD's market share percentages include.

country of study coming second.[21] In the face of strong competition from overseas, this highlights the importance of emitting a strong and consistent welcome from the UK as a whole.

4.2 The continued attractiveness of the UK higher education sector

As global competition within the international student recruitment market intensifies, perceptions of the UK as a whole are important in attracting students from overseas, and in sustaining levels of demand for a UK higher education.

As a study destination, a country can be compared against others in terms of their attractiveness by: how reputable the higher education sector/the university is; how welcoming a country is to overseas students; how satisfied current students are; employment outcomes, and the opportunity to remain in-country to gain some work experience. The latter of these points will be discussed in more detail in the next section.

At an institutional level, international students generally show high levels of satisfaction with their UK higher education experience. According to the International Student Barometer, 90% of students are satisfied overall with their experience, and 86% said they would recommend their university to others. In terms of the welcome received, 89% were satisfied overall with their arrival in the UK.

In terms of student perceptions of the UK as a study destination more widely, there are areas where performance is better than others. A 2013 survey carried out by IDP Education of 1,100 students across Asia and the Middle East showed that, when it comes to the perceived quality of education, the UK is second only to the United States across the five main English-speaking destinations, with Australia and Canada close behind, and New Zealand fifth. However, the UK was rated as the worst destination in terms of perceived graduate employment opportunities, and fourth in terms of student visa requirements/policies.[22]

There is also a view among education agents that the UK has become less attractive as a study destination in recent years. As shown in Figure 24, in 2013, 63% of agents rated the UK as 'very attractive'. This is lower than the United States, which 73% rated as very attractive, and slightly lower than Canada (64%).

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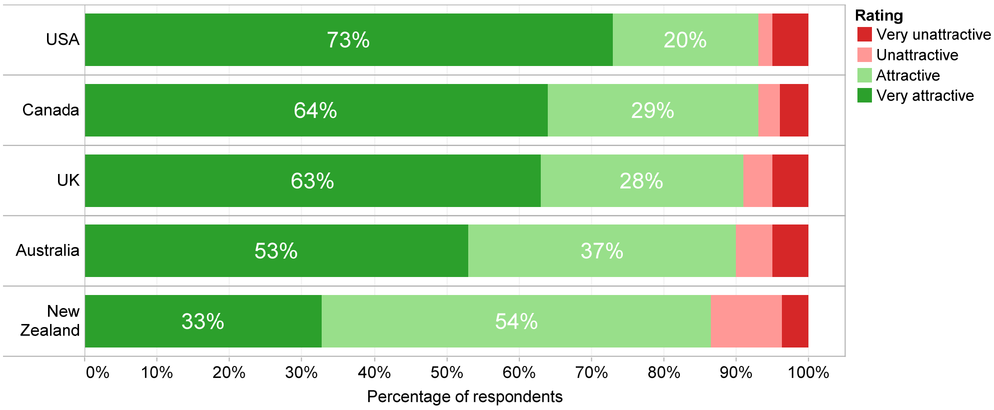
[21] Beyond the data: Influencing international student decision making, Hobsons (2014) available for download here: http://go.hobsons.com/ISS2014/&s=wl

[22] IDP International Student Buyer Behaviour Research 2013: http://wfcp.org/wp-content/uploads/IDP-research.jpg

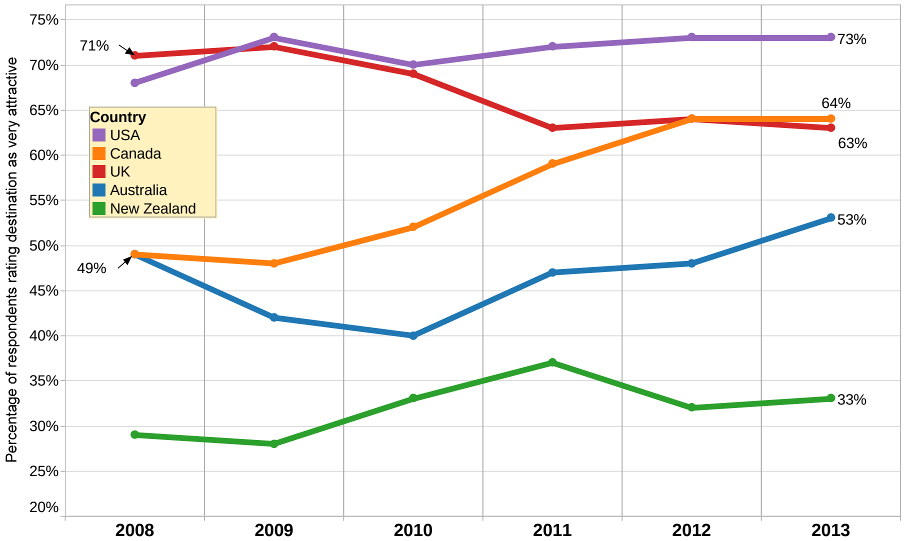
Figure 24: Education agents' ratings of leading study destinations, 2013



Source: i-graduate[23]

Back in 2008, the same survey of agents suggested that the UK was in fact the most attractive destination at that time – 71% rated the UK as 'very attractive', compared to 68% for the United States. As Figure 25 shows, the UK's decline in perceived attractiveness between 2008 and 2013 is in stark contrast to the trend in how Canada has been perceived.

Figure 25: Education agents' ratings of leading study destinations, 2008–2013



Source: i-graduate

International student applicants' perceptions of a country, as well as the perceptions held by their families, are highly likely to influence their choice of study destination. Research by Hobsons shows that a country's attitude towards international students, and whether they can expect a warm welcome in that country, is one of the most important factors for applicants in selecting a country to study in.[24] It is therefore

[23] The i-graduate ICEF Agent Barometer 2013, Rod Hearps, ICEF
[24] Hobsons: http://go.hobsons.com/ISS2014/&s=wl

vital that a warm welcome is conveyed from a UK government to prospective students living overseas. This remains an important issue, as a 2014 NUS survey of international students already in the UK suggested that more than 50% feel unwelcome, and 19% would not recommend the UK as a study destination to their friends or relatives.[25]

Both the UK's welcome and the wider 'offer' available to international students, such as working rights, are key factors affecting the UK's overall attractiveness as a study destination. With this in mind, it is important that the provisions from the 2014 Immigration Act do not in themselves act as a deterrent for prospective overseas students. The provisions in the Act that will impact students (and staff) subject to immigration control are:

- Removal of appeal rights for students and staff applying for further leave to remain
- Introduction of a surcharge for access to NHS services
- Requirement that landlords check the immigration status of their tenants
- An increase in the scope for government to raise fees for visas and immigration services

Policy developments in the UK are sometimes extensively covered by the media in certain overseas countries, which can have a very negative impact on how UK higher education is perceived. This was evident in the widespread coverage internationally of the revocation of London Metropolitan University's Tier 4 licence in 2012.

It is vital that the communication of changes affecting international students that arise from the Immigration Act are handled proportionately and do not deter applicants – an issue highlighted by several members of the House of Lords during the Immigration Bill's second reading.[26] This view was supported by the Lords Select Committee on Soft Power and the UK's Influence, which in 2014 said: 'we call on the Government to present and communicate their visa and immigration policies with a level of balance and in a tone that do not discourage those who would add to the UK's prosperity from coming to the UK'.[27]

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[25] National Union of Students (2014): http://www.nus.org.uk/en/news/press-releases/international-students-feel-unwelcome-in-uk-as-immigration-bill-set-to-create-new-barriers-to-study/

[26] See: http://www.parliament.uk/business/news/2014/february/lords-immigration-bill/

[27] Persuasion and Power in the Modern World – Select Committee on Soft Power and the UK's Influence (2014): http://www.publications.parliament.uk/pa/ld201314/ldselect/ldsoftpower/150/15004.htm

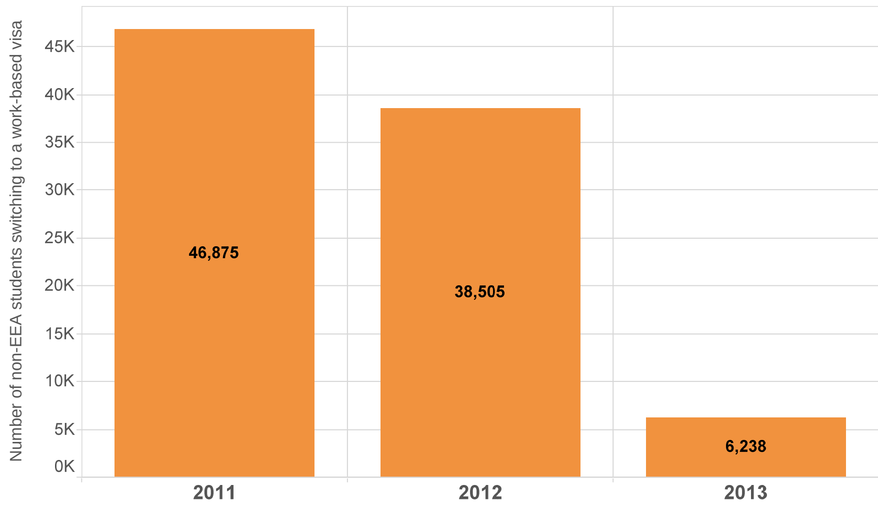
4.3 Post-study work opportunities

Similarly, a lack of post-study work opportunities (or at least a perceived lack of employment opportunities after graduation) can be an influential factor in an applicant's decision not to study in a given country. Of the Hobsons sample, this was the third most cited reason among those applicants who chose not to study in the UK.

The old Tier 1 Post-Study Work route enabled international student graduates to remain working in the UK for up to two years. This closed to new applicants in April 2012, and graduates can now remain in the UK in employment provided they find a graduate-level job paying at least £20,500 (or the going rate for the job, whichever is higher). Other, less restrictive options are available to PhD completers, and graduates can also apply to stay in the UK via the Graduate Entrepreneur route.

However, the effect of this change in policy has been that the number of non-EEA students switching into a work-based visa has fallen by 87% in two years.

Figure 26: Number of former non-EEA students granted an extension of stay in the UK to work



Source: Home Office

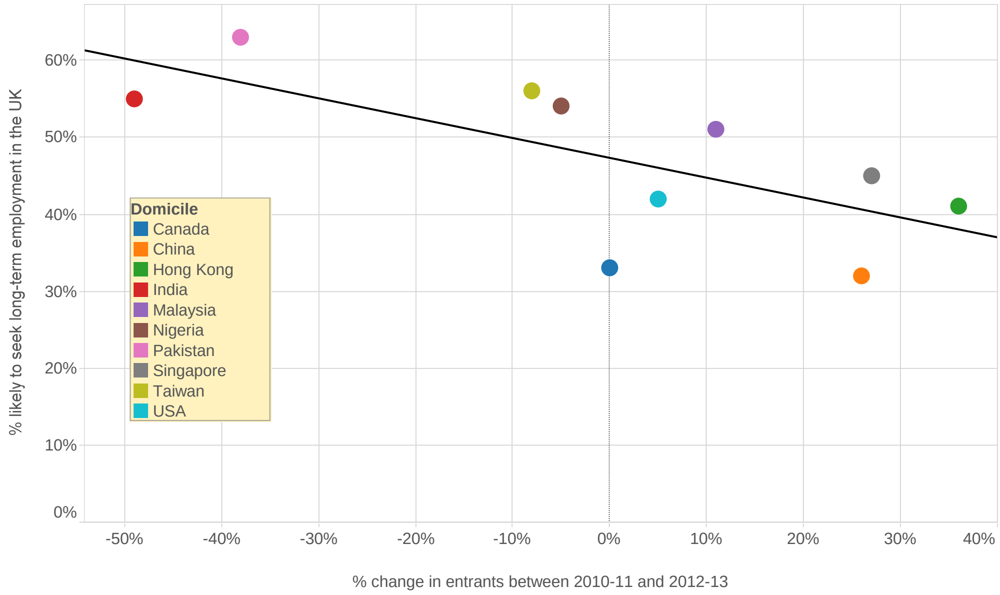
The availability of post-study work is of more importance to some students than others. Research suggests that it is more popular among students from India and Nigeria, and less so to those from China, the United States and Malaysia.[28]

Figure 27 shows how a sample of international graduates from various countries responded to a survey asking whether they were likely to seek long-term

[28]Department for Business, Innovation and Skills (2012) *Tracking International Graduate Outcomes 2011*: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32422/12-540-tracking-international-graduate-outcomes-2011.pdf

employment in the UK. This is compared against the change in the number of student arrivals from those countries since 2010. While not a perfect comparison, there is an underlying trend evident to suggest that those who are keen to take up post-study work are now coming to the UK in fewer numbers.

Figure 27: Level of student interest in post-study work compared to changes in entrants since 2010, by student nationality and domicile



Source: BIS and HESA

The UK's post-study work offer is not as competitive as that available to international students graduating in certain competitor countries, such as Australia.[29] A 2013 survey carried out by Ipsos MORI of Indian nationals considering studying abroad found that 91% of respondents believed the UK's restrictions on the ability to work after graduating would put off some or most students. Of those deciding not to study in the UK, 38% were deterred because they thought it unlikely that they would be able to work in the UK after completing their course.[30]

4.4 The changing costs of overseas study

The level of outward student mobility can also be affected by a student's own financial circumstances. Over the past few years, several countries' currencies have depreciated in value. This includes the Indian rupee, the Pakistani rupee and the Nigerian naira. These countries have sent fewer students to the UK since 2010.

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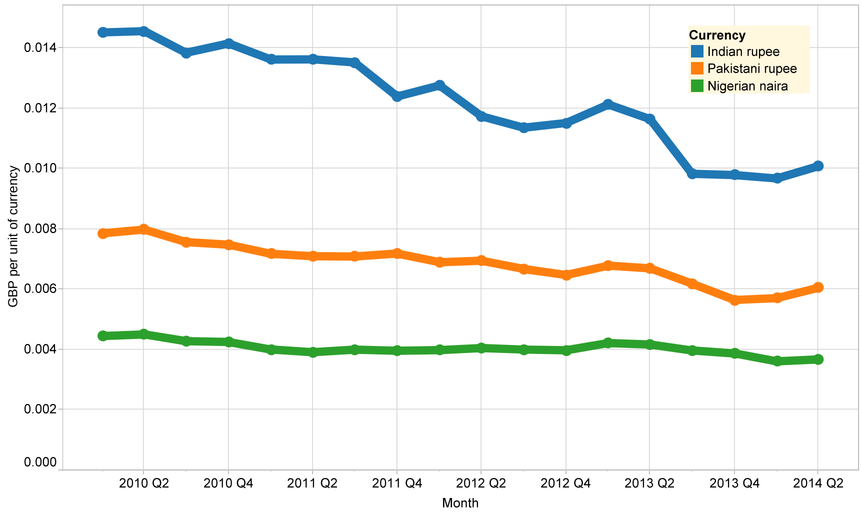
[29] International Science, Technology, Engineering and Mathematics (STEM) students – Science and Technology Committee (2014): http://www.publications.parliament.uk/pa/ld201314/ldselect/ldsctech/162/16206.htm
[30] IPPR (2013) *Britain wants you! Why the UK should commit to increasing international student numbers*: http://www.ippr.org/assets/media/images/media/files/publication/2013/11/Britain-wants-you_Nov2013_11534.pdf

Taking India as an example, the British Council estimates that the rupee's recent depreciation led to the annual cost of overseas study in the UK to increase by US$9,156 between January 2012 and August 2013. Undergraduate students especially would face an increasingly expensive education if considering studying abroad for at least three years. Figure 28 shows how certain currencies have changed in value against GBP since mid-2010.

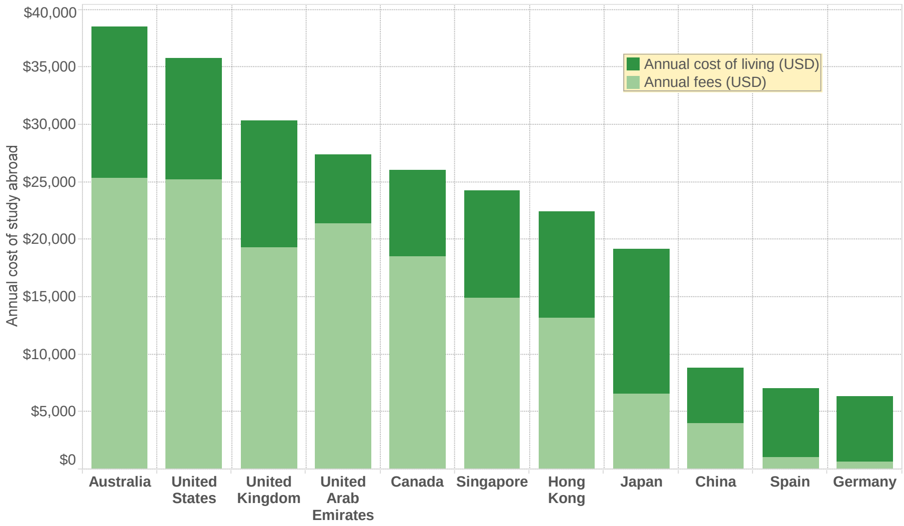
Figure 28: Changes in exchange rates, GBP to others



Source: XE Currency Converter

A 2013 study comparing the annual costs of various study destinations suggested that Australia was the most expensive for international students, when factoring in tuition fees and living costs, at US$38,516. The UK came third at US$30,325. Looking at other EU countries, with an increasing number of courses being taught in English in countries such as the Netherlands and Germany, the low costs of tuition are likely to make these an increasingly appealing option for many.

Figure 29: Estimated annual cost of studying abroad, by country



Source: HSBC

Increasing costs can be a strong deterrent for applicants. As part of the Ipsos MORI survey of Indian students in 2013, 47% of those who decided not to study in the UK said that the high cost of living was a factor, and 53% the high cost of tuition fees. It is therefore important that the cost of a UK higher education does not compare unfavourably with that of competitor countries.

4.5 Capacity for higher education overseas

The capacity for higher education within a country can affect the levels of outward student mobility. To take an example, recent reforms made to the education system in Hong Kong lowered the secondary school graduation age from 18 to 17 and produced a double cohort of leavers in 2012. In addition, Hong Kong's universities have now moved towards offering four-year undergraduate degrees instead of three.[31]

This double cohort of secondary school leavers (some of whom might also wish to pursue a shorter, three-year degree) has left Hong Kong's universities having to accommodate thousands more new students. At the same time, more students from Hong Kong are seeking an undergraduate degree in the UK – the number of first year undergraduates increased by 23% between 2011–12 and 2012–13. However, notably, the growth in the number of students from Hong Kong coming to the UK may not hold up in the long term.

[31] 'Students "flee" change to four-year degrees' *University World News* 23 February 2012: http://www.universityworldnews.com/article.php?story=20120223072121502

In India, there have been huge increases in the number of students enrolled in higher education in recent years. Between 2009–10 and 2010–11, the number of students enrolled in undergraduate programmes increased by 43% – from 13.9 million to 19.8 million. At postgraduate level, enrolments grew by 47%, from 1.8 million to 2.7 million.[32] The number of universities in the country has grown from 256 in 2000–01 to over 700 in 2012–13, and the number of AICTE-approved[33] engineering institutions more than doubled within four years.

According to the OECD, while the total number of foreign students worldwide grew by almost 8%, or around 330,000, between 2010 and 2012, the number from India decreased by almost 4%, or around 8,700. While perhaps not a significant number in the wider context of global levels of outward mobility, it is still notable that a country with a rapidly-growing population of 15- to 24-year-olds sent fewer students overseas in 2011 and 2012. Academic year 2011–12 also saw the start of the decline in Indian student entrants in the UK. Domestic capacity is therefore likely to have affected recruitment in the UK to some extent.

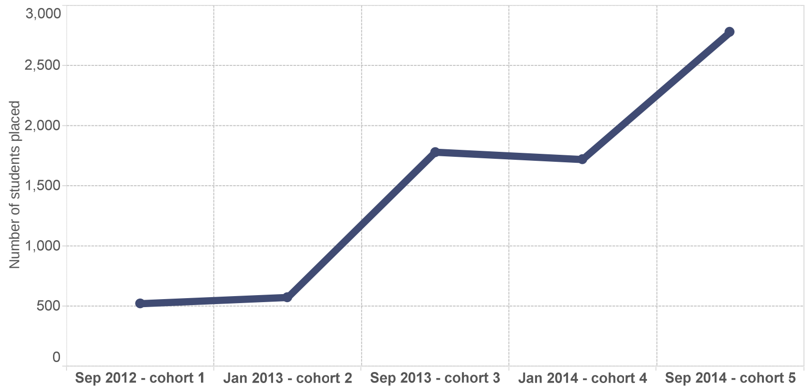
4.6 Other opportunities for internationalisation: Mobility partnerships

A significant success story of the past few years for the UK higher education sector has been Science without Borders (SwB), a Brazilian government scholarship programme which aims to send 101,000 Brazilian students abroad within four years. At present there are 36 countries taking part in the programme and the UK is the second most popular destination country for SwB students.

The number of SwB students choosing the UK has grown exponentially since universities welcomed the first cohort of 519 undergraduate students in September 2012. In September 2014, UK higher education institutions will welcome just over 3,000 SwB undergraduate students. This latest cohort brings the total number of SwB students who will have studied in the UK since the programme launched in 2012 to over 8,500 (including PhDs and post-doctoral students).

[32] British Council (2013) *Inside India – a new status quo*: https://ei.britishcouncil.org/educationintelligence/inside-india-new-status-quo
[33] AICTE is the All India Council for Technical Education.

Figure 30: Number of Brazilian Science without Borders students placed in UK higher education institutions, 2012 – 2014



Source: UK Higher Education International Unit

The strategic value of this scheme is significant; Science without Borders continues to greatly increase engagement with Brazil, increase mobility between the two countries, facilitate research collaborations and institutional partnerships, and create thousands of Brazilian ambassadors for UK higher education. Exploring similar opportunities for partnerships with other countries in future, as detailed in the international education strategy therefore has enormous potential for the sector.

4.7 Other opportunities for internationalisation: transnational education

Another area of international education showing signs of continued expansion is in the number of students studying overseas for a UK university qualification. Transnational education (TNE) has grown enormously in recent years, and, in 2012–13, almost 600,000 students were registered to study for such a qualification outside of the UK.

Research by the British Council into TNE data suggests that UK institutions were involved in the delivery of 1,395 'TNE programmes' in 2011–12. While data is not always comparable between countries due to differences in collection and reporting methods, the same research showed that 394 TNE programmes were offered by Australian institutions in 2011–12, and around 200 by German institutions.[34]

TNE students can be quite different to international students coming to the UK – their intensity of study could well be very low, for example. Some students might be registered onto a course awarded by a UK institution but have ten years to actually

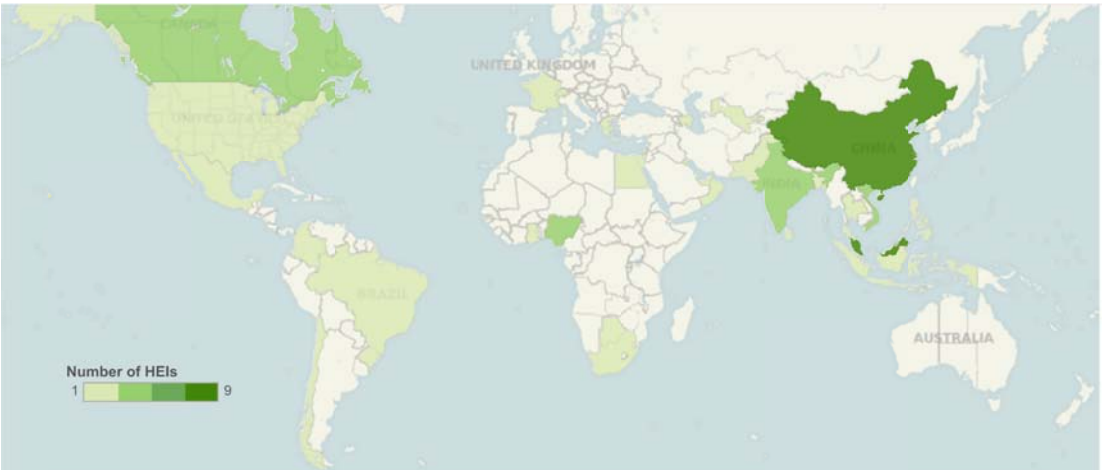
[34] British Council (2013) *The shape of things to come: The evolution of transnational education: data, definitions, opportunities and impacts analysis*: http://www.britishcouncil.org/sites/britishcouncil.uk2/files/the_shape_of_things_to_come_2.pdf

complete it. Nonetheless, the levels of growth seen in recent years are evidence of strengthening collaborations between UK institutions and overseas partners, as well as an increase in the exporting of UK education via the opening of overseas campuses.

In financial terms, the value of TNE to the UK can be difficult to quantify. The Department for Business, Innovation and Skills estimated the value in 2011 to be in the region of £300 million – minor in comparison to the billions of pounds received in tuition fees onshore. However, it is the non-financial benefits of TNE which are of value to the UK higher education sector – the building of international relationships with overseas partners plays a key part in the development of soft power and, potentially, in facilitating mobility to the UK.

UK institutions operate TNE programmes in countries all across the world, although the largest amount of activity in terms of student numbers takes place in Malaysia, Singapore, China and Pakistan. Responses to a 2014 Universities UK survey suggest that these continue to be countries of focus for certain universities, although there are several others of importance.

Figure 31: Responses to UUK survey – countries where TNE is of growing importance to the institution



Source: Universities UK survey

Institutions responding to this survey were most likely to state that current growth in TNE lies within the set-up of articulation agreements as well as franchise/twinning programmes. Recent growth in TNE has been diverse, and several delivery models exist. However, the increase in TNE delivery is significant and, as detailed in the international education strategy, 'improves the profile of UK education overseas and helps to demonstrate that the UK is outward looking.'[35]

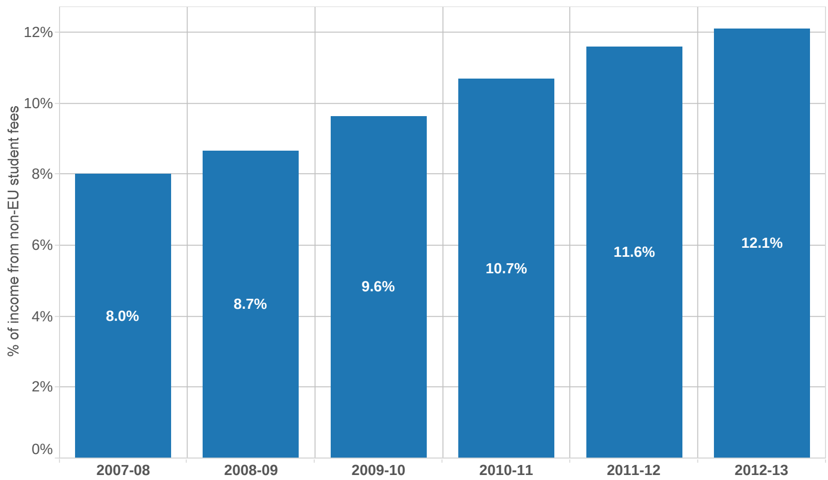
5: International students and university income

The final section of this report focuses on the importance of international students to many institutions' finances, and on the wider impact that international students have on their local economies. The threats to sustaining demand from overseas which have already been discussed in this report could each negatively impact on institutions in terms of their provision of certain courses and in their income.

5.1 Income to the sector

In 2012–13, almost one-eighth (12.1%) of the UK higher education sector's income was derived from non-EU students' tuition fees – a total of £3.5 billion. A further 1.3% of all income came from non-EU sources in the form of research grants and contracts. The amount of tuition fee income is an increase in proportional terms compared to the previous year, when fee income was £3.2 billion.

Figure 32: Percentage of higher education sector income sourced from non-EU student fees, 2007–2013



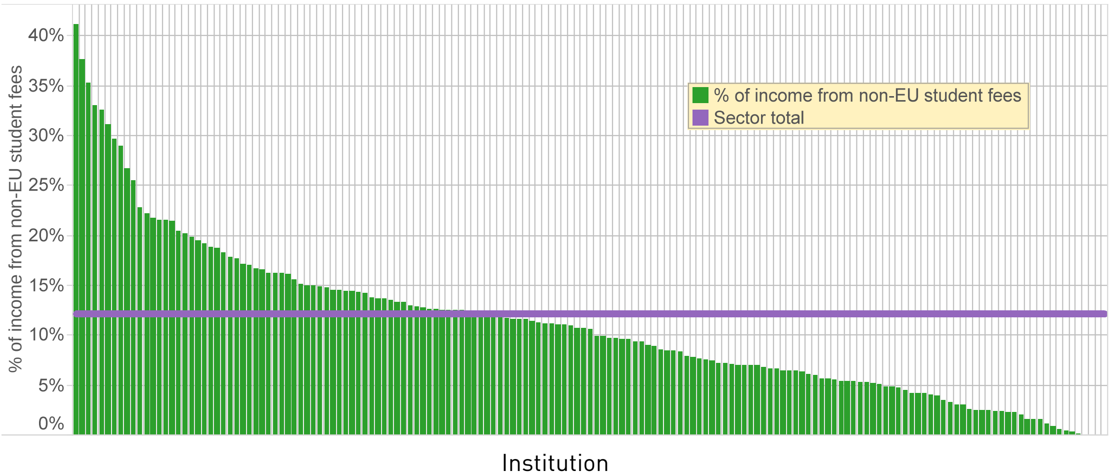
Source: HESA

As shown in Figure 33, there were 18 institutions receiving at least 20% of their income from overseas student fees in 2012–13 – an increase from 13 in 2011–12. As detailed earlier, international recruitment can fluctuate quite strongly. Therefore, an increasing reliance on these fees as a source of institutional income is not without its risks. In addition, certain external pressures already discussed here, such as

[35] HM Government (2013) *International Education: Global Growth and Prosperity*: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229844/bis-13-1081-international-education-global-growth-and-prosperity.pdf

currency fluctuations, could leave institutions vulnerable in financial terms as fewer mobile students opt to come to the UK.

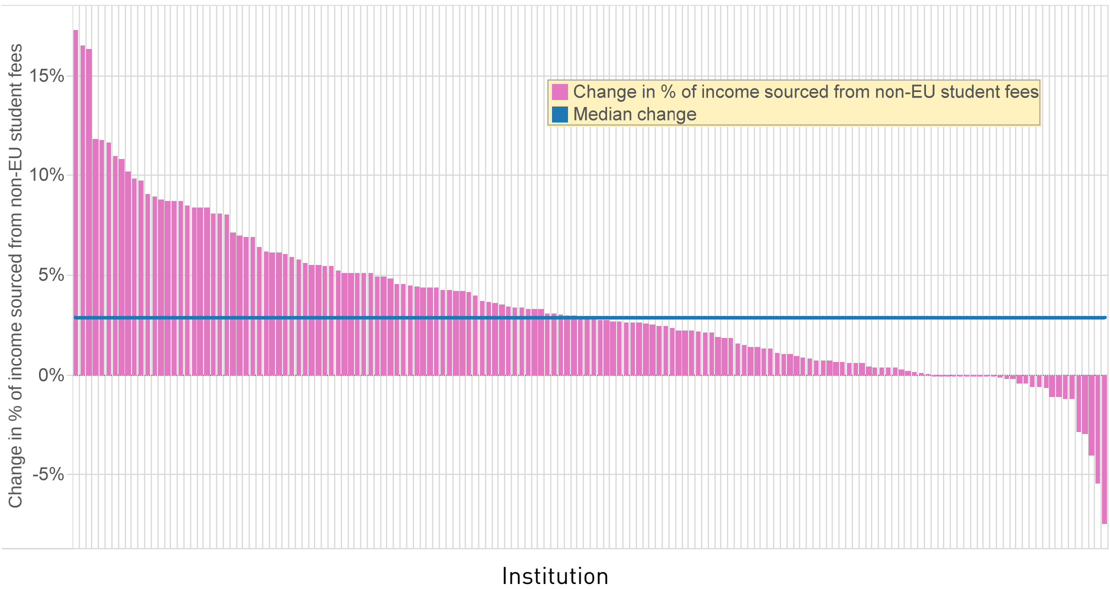
Figure 33: Percentage of income sourced from non-EU student fees in 2012–13, by institution



Source: HESA

Since 2007–08, nine institutions have seen their proportion of income coming from overseas student fees increase by at least 10%. Comparatively, 21 have become less reliant on this source of income, in that it now represents a smaller percentage of total income than back in 2007.

Figure 34: Change in the proportion of income sourced from non-EU student fees, 2007–2013, by institution



Source: HESA

For 2013–14, English institutions as a whole are forecasting a 9.7% rise in the amount of income from overseas students' fees, compared to a forecasted 4.2%

increase in total income.[36] It would therefore appear that the proportion of sector income – at least in England – coming from this source could well continue to grow. However, this forecasted increase is lower than the same institutions' projections from July 2013, indicating that the rate of anticipated growth has slowed for some. This highlights the risk associated with an increasing dependence on international student fees as an income stream.

5.2 Economic impact

As an export industry, UK higher education continues to be a significant contributor to UK GDP.

In April 2014, Universities UK published commissioned research on economic impact which highlighted the contribution of non-EU students to both their institutions (via tuition fee and accommodation payments) and their local economies (via off-campus expenditure). This spending by non-EU students, on and off campus, is estimated to have generated around 137,000 full-time equivalent jobs: 18% of all jobs generated by the higher education sector.

The research concluded that the recruitment of non-EU students is a major contributing factor to higher education's impact more widely. In 2011–12, the UK higher education sector generated £10.7 billion in export earnings.[37] Around 30% of this value came from overseas student fees.

However, the economic impact of international students is not limited to the institutions at which they are studying. There are significant amounts spent off-campus that are important sources of income for businesses. In 2011–12, international students across the UK spent £3.4 billion off-campus in the form of living expenditure, on things like rent, food, entertainment and consumer goods. This expenditure supports businesses local to where the students are living. With around 300,000 non-EU students enrolled at universities across the UK, the economic benefits of this expenditure are therefore not limited to pockets of the country.

In the North West of England, for example, students from outside the UK were estimated to have spent £387 million off-campus in the local economy in 2011–12, which generated more than 4,900 full-time equivalent jobs, of which 4,052 were within the region itself.

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[36] HEFCE (2014) *Financial health of the higher education sector: 2012–13 financial results and 2013–14 forecasts*: http://www.hefce.ac.uk/media/hefce/content/pubs/2014/201402/HEFCE2014_02.pdf
[37] Universities UK (2014) *The impact of universities on the UK economy*: http://www.universitiesuk.ac.uk/highereducation/Pages/ImpactOfUniversities.aspx/#.U6xE9vldXuQ

A detailed breakdown of the economic impact of EU and non-EU students across the English regions is provided in Table 4. This shows that the off-campus expenditure of these students alone has significant knock-on effects across all regions of the country, generating output and jobs locally.

In each case, the vast majority of impact is felt within the region hosting those students. For example, in 2011–12, the off-campus expenditure of EU and non-EU students enrolled at the South West of England's universities generated £405 million of output, 84% of which was generated locally.

Table 4: Economic impact of EU and non-EU students' off-campus expenditure, by English region, 2011–12

		Impact within the region		Total impact across the UK	
Region	International students' off-campus expenditure	Output generated	Jobs generated	Output generated	Jobs generated
East of England	£369m	£517m	4,365	£554m	4,691
East Midlands	£293m	£358m	2,975	£440m	3,719
London	£1,200m	£1,300m	11,337	£1,700m	14,763
North East	£213m	£237m	1,935	£319m	2,703
North West	£387m	£473m	4,052	£581m	4,912
South East	£549m	£718m	6,243	£825m	6,977
South West	£270m	£339m	2,492	£405m	3,428
West Midlands	£408m	£463m	3,921	£612m	5,180
Yorks. & Humber	£380m	£404m	3,515	£570m	4,824

The economic impact across all UK nations is significant even if excluding EU students from the total. The expenditure of students from outside the EU – off-campus as well as that spent on tuition fees and accommodation – generated around 137,000 full-time equivalent jobs in 2011–12.

As Table 5 shows, the total expenditure of international students on fees, accommodation and off-campus amounted to just over £7 billion in 2011–12. Total export earnings from non-EU sources (which includes students but also other things such as income from research grants) were worth over £8 billion in 2011–12.

Table 5: UK higher education export earnings and the economic impact of non-EU students in 2011–12

Area of expenditure	Impact
Tuition fees	£3.24bn
Accommodation costs	£0.52bn
Off-campus spend	£3.42bn
Visitors' spend	£0.10bn
Research income (non-EU sources)	£0.64bn
Consultancy	£0.26bn
TOTAL	**£8.18bn**

Research carried out by Oxford Economics into the impact of international students in Sheffield showed that they are net contributors to local and regional GDP. Even taking into account the costs from international students' use of public resources (such as the NHS), the economic benefits described still outweigh them. In 2012–13, international students' net contribution to Sheffield's GDP was £120 million.

As previously highlighted, the size of the non-EU student population declined by around 1% in 2012–13. This represents foregone export earnings both for institutions and for the wider economy. Between 2010–11 and 2012–13, the number of full-time postgraduate international students fell from 140,935 to 135,215. Had numbers even remained flat over both years, the total off-campus expenditure could have been as much as £104 million higher. Had enrolments increased year-on-year at around the same level as in 2010–11, the total difference is around £370 million. These are significant sums, especially considering that this is money spent throughout the UK economy – in businesses up and down the country.

Conclusions and implications for policy

The UK higher education sector's reputation remains strong internationally, and the increase in collaborations and international partnerships is evidence of this. The quality of UK education is regarded highly by prospective students across the world, as shown by the strong position held by the UK, attracting more students from overseas than any other country except for the United States. However, in the current environment, the UK's higher education institutions cannot necessarily assume that levels of demand will remain at current levels, or that the UK as a whole will retain its global position in this market.

International students continue to have a significant impact on higher education in the UK – culturally, academically and financially – and many institutions have seen a growth in overseas student tuition fee income in recent years. Despite Universities UK's survey suggesting that many institutions have experienced a growth in international student numbers in 2013–14, evidence from other higher education sectors shows that several competitor countries are attracting international students at the expense of the UK. The UK government's international education strategy provides an encouraging prediction for growth in student numbers and thus in export earnings, but there is no firm commitment or target equivalent to that which now exists in some other countries. In order to secure a return to growth, it is therefore important that the government launches an international student growth strategy, backed by investment, to promote UK institutions overseas, whilst communicating a consistent message that the UK welcomes international students.

Changes made to post-study work options in the UK have made it less attractive as a study destination to students from certain parts of the world. These changes have been implemented at a time when other countries are moving in the opposite direction and providing more generous arrangements. It is therefore vital that post-study work opportunities for qualified international graduates are enhanced. With huge numbers of the world's mobile students coming from Asia – many of whose families invest large proportions of their savings in sending their child abroad to study – enhancing post-study work opportunities could attract students back to UK institutions from those countries where declines have become so apparent and post-study work opportunities are so important.

Including international students within a broader target to reduce net migration is also at odds with any notion of growing the UK higher education sector. Evidence shows that those who support a reduction in the numbers of international students coming to the UK are in the minority. Despite this being the case, enrolments have fallen in recent years. Immigration policy needs to be better informed and better targeted in order to address genuine issues of concern. It is therefore important that students are removed from any net migration target. By removing this disincentive against increasing international student numbers, the opportunity is created for a less restrictive environment in which institutions can pursue plans for growth in the coming years.

Higher education in focus

Universities UK's Higher education in focus series covers additions to the evidence base to inform higher education policy development, and is the brand of Universities UK's analytical unit. The series includes the unit's in-house analysis and research, external research that the unit has commissioned, and data visualisations and infographics by the unit.

Universities UK (UUK) is the representative organisation for the UK's universities. Founded in 1918, its mission is to be the definitive voice for all universities in the UK, providing high quality leadership and support to its members to promote a successful and diverse higher education sector. With 134 members and offices in London, Cardiff and Edinburgh, it promotes the strength and success of UK universities nationally and internationally.

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