



## Higher Education Exports Debate on 19 July 2018

### Summary

On 19 July 2018, the House of Lords is set to debate a motion moved by Lord Norton of Louth (Conservative) that “this House takes note of the value to the United Kingdom of higher education as an export”. This briefing considers what higher education exports are and their value to the United Kingdom economy. In addition, it considers how these figures have changed over time and any factors which may influence the value of Higher Education exports.

### Statistics

The Department for Education, in its July 2017 publication, [UK Revenue from Education Related Exports and Transnational Education Activity: 2010–2014](#), defined education related exports in the following manner:

Exports are transactions between UK residents and non-residents. In most of the transactions represented in this report the non-residents travel to the UK to procure their education-related services from a UK-based organisation. Whether tuition fees are paid in advance of arrival or once in the UK does not impact on the nature of the transaction. In addition to fees, any type of transaction that is carried out by the non-resident while in the UK also counts as international trade. So any money spent on living costs is counted as a UK export. [...] The full value of the transaction is counted as an export; no adjustment is made to subtract any costs involved in delivering the service, or in producing and shipping the goods overseas.<sup>1</sup>

Statistics produced by the Higher Education Statistics Agency (HESA) show that there were 442,375 non-UK domiciled students at higher education institutions in the 2016/17 academic year. Of these, 134,835 came from other European Union (EU) countries, with the remaining 307,540 from non-EU countries. These figures have stayed broadly stable over the previous five years. The table below demonstrates the total number of higher education students at UK institutions between 2012/13 to 2016/17 broken down by domicile.

**Table 1: Higher Education Student Enrolments by Domicile: 2012/13 to 2016/17**

Domicile	2012/13	2013/14	2014/15	2015/16	2016/17
<b>UK</b>					
England	1,578,315	1,529,430	1,497,715	1,511,890	1,540,205
Wales	101,295	100,085	99,200	97,585	98,485
Scotland	165,860	165,060	164,005	165,095	169,240
Northern Ireland	64,405	64,570	63,965	63,600	63,070
Other UK	4,920	4,540	4,315	4,145	4,130
<b>Total UK</b>	<b>1,914,795</b>	<b>1,863,690</b>	<b>1,829,195</b>	<b>1,842,315</b>	<b>1,875,125</b>

<b>Domicile</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Non-UK</b>					
Other European Union	125,325	125,295	124,575	127,440	134,835
Non-European Union	299,490	309,910	312,010	310,575	307,540
<b>Total Non-UK</b>	<b>424,815</b>	<b>435,210</b>	<b>436,585</b>	<b>438,010</b>	<b>442,375</b>
Not Known	860	460	295	505	75
<b>Total all domiciles</b>	<b>2,340,470</b>	<b>2,299,355</b>	<b>2,266,075</b>	<b>2,280,830</b>	<b>2,317,880</b>

(Source: Higher Education Statistics Agency, [Where Do HE Students Come From?](#), Figure 8, accessed 12 July 2018, figures vary due to rounding)

When looking at the number of new entrants to higher education, rather than the total number of students currently enrolled at higher education institutions, figures show that in the 2016/17 academic year 235,315 were overseas students, with 63,035 and 172,275 coming from EU and non-EU countries respectively; overseas students represented 23 percent of all first year students at UK universities.<sup>2</sup>

Since 2012/13 the number of first year entrants from China each year has exceeded the number from all EU countries combined. In 2016/17 there were 66,415 first year entrants to higher education from China. After China, the United States provides the highest number of overseas entrants to higher education, with 10,885 students starting their first year in 2016/17. Germany provides the most EU students to the UK, with 7,665, followed closely by France with 7,250 students.

In 2016/17, India provided the third largest number of overseas students in the UK, with 9,720. However, unlike the USA and China, who have seen an upward trend in the number of students who they send to the UK, the overall the trend for students from India is on a downwards path. There were 14,095 students from India joining UK higher education institutions in 2006/07. The figure peaked in 2010/11 with 23,970 students, and, aside from a small increase in 2016/17, has decreased steadily since.

Table 2, below, shows which countries sent the most first year entrants to UK universities in 2016/17 and compares how this has changed over time since 2012/13.

**Table 2: First Year Entrants to UK Universities by Country of Domicile: 2012/13 to 2016/17**

<b>Country</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
China	56,535	58,810	58,845	62,105	66,415
United States	10,095	10,085	10,205	10,545	10,885
India	12,280	11,270	10,125	9,095	9,720
Germany	7,655	7,445	7,480	7,250	7,665
France	6,735	6,490	6,845	6,995	7,250
Hong Kong	6,305	6,750	6,925	6,760	6,855
Italy	4,060	4,850	5,625	6,055	6,360
Malaysia	8,045	9,070	8,540	7,495	6,225
Nigeria	17,390	10,265	9,475	7,615	5,495
Greece	5290	5200	4920	4760	5,075

(Source: Higher Education Statistics Agency, [Where Do HE Students Come From](#), Data from tables for Figures 10 and 11, accessed 12 July 2018)

In addition to overseas students coming to the UK to study, the Department for Education report also considers the revenue obtained from Transnational Education Activity (TNE). TNE is where students studying for awards or courses of UK universities study overseas without coming to the UK; also referred to as 'offshore' students:

Some UK-based organisations will have subsidiaries or long-term bases outside the UK from where they sell their services. In such situations much of the initial value of transactions will flow out of the business into the local economy—local staff, rent, consumables, etc—only the profit will be available to be repatriated to the UK. Additionally, where there are operational profits these may be reinvested in the foreign operations rather than being repatriated.

Unlike exports where the full value of the transaction is counted, here we only count the proportion of the revenue that is repatriated to the UK.<sup>3</sup>

In 2016/17 there were 707,915 offshore students; of this total 43 percent of students were registered with an overseas partner of Oxford Brookes University on Association of Chartered Certified Accountants (ACCA) programmes.<sup>4</sup>

### **Value of Higher Education as an Export**

In 2017, the Department for Education estimated that in 2014, the total value of UK education-related exports and TNE activity was £18.76 billion. This represented an increase of 18 percent over 2010 in current prices. Education-related services and goods (of which higher education was the main contributor) accounted for 92 percent of the total value, with revenue from TNE activity accounting for the remaining 8 percent in 2014. The relative shares have changed little since 2010.

Approximately 66 percent of the total value calculated was generated from education services and goods provided by higher education institutions:

Higher Education exports were estimated at £12.43 billion in 2014, an increase of around 30 percent over 2010 in current prices. This figure rises to an estimated £12.98 billion if Higher Education related TNE activity, valued at around £550 million, is included.<sup>5</sup>

The Department's statistics built on work published by the Department for Business, Innovation and Skills (BIS) in 2011, which estimated the value of higher education exports in 2008/09 was £7.8 billion. Statistics measuring the value of education exports are somewhat contentious. As noted by the House of Commons Library, various estimates have been produced for a variety of organisations but:

These cover a wide range of definitions, years and methodologies. There is a substantial amount of uncertainty about these figures. They are highly approximate estimates only and are often made by groups with an interest in the sector.<sup>6</sup>

In March 2017, Universities UK published research, produced by Oxford Economics, which estimated that in 2014/15, on- and off-campus spending by international students and their visitors generated a knock-on impact of £25.8 billion in gross output in the UK; this figure included £4.8 billion generated by fees.<sup>7</sup>

In January 2018, research carried out for the Higher Education Policy Institute and Kaplan International Pathways, also examined the economic benefit of international students to the UK economy. The report

examined both the costs (such as student grants, teaching support and other public costs) and the benefits (fee income, non-fee income and visitor income) of international students to the UK economy and concluded:

Across the total cohort of first-year international students enrolled with UK HEIs in the 2015/16 academic year, the total net impact of international students on the UK economy was estimated to be £20.3bn, with £4.0bn of this net impact generated by EU-domiciled students, and £16.3bn of net impact generated by non-EU-domiciled students in the cohort.<sup>8</sup>

While the report measured the tuition fee income; knock-on effects across the economy; the income from the non-tuition fee expenditure generated by international students; and the income associated with the spending of friends and family visiting international students in the UK, it did not consider:

- Tax and National Insurance paid by international students, or their dependents while in employment in the UK—during and/or after their studies.
- The longer term investment, business and trade links that are expected to occur as a result of hosting international students in the United Kingdom.
- The soft diplomatic power exerted by the United Kingdom on an international stage as a result of the networks built up during their stays.
- The wider cultural and societal impacts associated with a more diverse population.

Given these omissions, the report concluded that “the analysis will underestimate the true contribution of international students to the UK economy”.<sup>9</sup>

The contribution of ‘soft power’, as well as economic benefits, when considering the nature of higher education exports has also been considered by several other commentators. In 2015, a ComRes study examining the global ranking of soft power named the UK as the most influential in terms of the soft power it wielded. One of the key contributors to this ranking was identified as the UK’s “world class” higher education system.<sup>10</sup> This view echoed that reached in the 2014 House of Lords Soft Power and the UK’s Influence Committee report, *Persuasion and Power in the Modern World*, which stated:

The UK’s education sector is a major contributor to the UK’s soft power. The higher education sector in particular enjoys a reputation for excellence in learning [...] Bringing learners and educators into the UK from abroad, and exporting students, teachers and educational institutions overseas, help to build social and cultural links and strengthen business and research ties.

We learnt that international students in UK-based educational institutions “develop an awareness and respect for UK culture, governance, institutions and history” and gain exposure to “UK norms and cultural values”. Professor Riordan told us that a BIS report had found that 95 percent of UK university international alumni are “positively orientated” towards the UK.

Most international higher education students who leave the UK after study retain professional and personal links: 84 percent, suggested one study. British universities are therefore “centres for shaping the thoughts of the future elite in the world”. Students returning to their home countries can be the UK’s “greatest ambassadors”. Many go on to hold influential posts, including government roles, in their home countries.<sup>11</sup>

In addition, in a report produced for the All Party Parliamentary Group on Universities, Universities UK argued that UK universities have substantially expanded their transnational communication activity in

recent years, stating:

While UK TNE is worth less in monetary terms than traditional international student recruitment, there are other economic benefits which flow from this in terms of the UK's international influence, the global reputation of UK higher education, and the secondary links with overseas research and business communities which can grow out of university-to-university TNE partnerships.<sup>12</sup>

## Challenges to Higher Education as an Export

### Brexit

Much of the recent debate regarding the value of higher education as an export has centred on the likely impact of the UK leaving the EU. Considering higher education in its 2017 white paper, *The United Kingdom's Exit From, and New Partnership With, the European Union* the Government stated:

The UK will always welcome genuine students and those with the skills and expertise to make our nation better still. We have already confirmed that existing EU students and those starting courses in 2016–17 and 2017–18 will continue to be eligible for student loans and home fee status for the duration of their course. We have also confirmed that research councils will continue to fund postgraduate students from the EU whose courses start in 2017–18. The Government also recognises the important contribution made by students and academics from EU Member States to the UK's world class universities. A global UK must also be a country that looks to the future.<sup>13</sup>

In April 2017, the Government confirmed that EU students would continue to remain eligible for undergraduate, master's, postgraduate and advanced learner financial support in academic year 2018/19 and would remain eligible to apply for Research Council PhD studentships at UK institutions for 2018/19 to help cover costs for the duration of their study.<sup>14</sup> On 2 July 2018, the Government announced that students from the European Union starting courses in England in the 2019/20 academic year would continue to be eligible for 'home fee status', which means they will be charged the same tuition fees as UK students. In addition, they would be able to access financial support for the duration of their course on the same basis as is currently available.<sup>15</sup>

Figures from HESA for the 2016/17 intake suggest that the number of students from other European Union countries who entered their first year at UK universities increased from 59,100 in 2015/16 to 63,035 in 2016/17.

However, Eleanor Jubb, Policy Manager at Universities UK, argued that "the majority of these students will have started their course or made their decision before the Brexit vote and it's not clear whether this increase will withstand the shock of the decision to leave the EU. Numbers from the 2017 UCAS cycle show a fall in EU applicants".<sup>16</sup>

Figures produced by the Universities and Colleges Admission Service (UCAS) appear to show that as at the June 2017 application deadline, the total number of people applying to undergraduate courses in higher education in the UK in 2017 was down 4 percent compared with 2016. This figure included a 4 percent decline among UK applicants. The number of applicants from the rest of the EU decreased by around 5 percent with the only group that saw an increase in those applying to universities was applicants from outside of the EU. This group increased by 2 percent.<sup>17</sup>

In April 2017, the House of Commons Education Committee report, *Exiting the EU: Challenges and Opportunities for Higher Education*, noted “significant uncertainty” caused in the higher education sector by the UK leaving the EU.<sup>18</sup> As well as highlighting some perceived opportunities which might be afforded by Brexit, the Committee highlighted areas for the Government to prioritise, notably:

- ensuring greater certainty for students through guaranteeing the same fees and loans access as currently to the 2018/19 student cohort;
- improvements to the immigration system to ensure better movement to and from our universities; removal of overseas students from net migration figures;
- continued involvement in research frameworks, such as Horizon 20, and planning for domestic funding for a scenario where access fails;
- continued involvement in Erasmus, or a home-grown replacement, with an ambitious mobility strategy for universities;
- a regional growth fund, to replace and exceed European structural funding; and
- a bold cross-government strategy to take advantage of global reach of universities and ensure higher education plays an important role in upcoming trade deals.

In response, the Government stressed work that was already undertaken “to understand the issues fully and to plan for a range of scenarios” but noted:

We acknowledge the views raised by the sector about the UK’s impending exit from the EU including their views on arrangements for EU students and staff already in or coming to the UK (including specific mobility schemes such as Erasmus+), student finance, research funding and collaboration and the need for a phased process of implementation. However, the Government continues to believe that our exit presents a number of opportunities for the higher education sector—highlighted in the Committee’s report—and remains committed to making the most of these.<sup>19</sup>

In March 2018, in response to a written question about the potential impact of the Brexit on the ability of universities to attract EU students at undergraduate and postgraduate levels, the Minister of State for Universities, Science, Research and Innovation, Sam Gyimah, stated:

The government is undertaking a comprehensive and ongoing programme of analytical work across a range of scenarios for EU exit. As part of this, we are engaging closely with the higher education (HE) sector, including through my High Level Stakeholder Working Group on EU Exit, Universities, Research and Innovation.

The UK is a highly attractive destination for EU and international students, second only to the USA in the numbers we attract, and we recognise that student mobility is a key issue for our world-class HE sector. The government has commissioned the Migration Advisory Committee (MAC) to provide an objective assessment of the impact of EU and international students by September 2018. This provides an important opportunity for the sector to share evidence, and the MAC’s independent advice will help inform decisions on the future migration system.<sup>20</sup>

The Government’s white paper, *The Future Relationship between the United Kingdom and the European Union*, released on 12 July 2018, stated that the UK’s proposal for an economic partnership included:

a new framework that respects the UK’s control of its borders, enabling UK and EU citizens to continue to travel to each other’s countries and businesses and professionals to provide services,

and to help students and young people to enjoy the opportunities and experiences available in the UK and the EU—in line with the arrangements that the UK might want to offer to other close trading partners in the future;<sup>21</sup>

The paper included proposals to create a UK-EU youth mobility scheme “to ensure that young people can continue to enjoy the social, cultural and educational benefits of living in each other’s countries”.<sup>22</sup> The white paper points to youth mobility schemes which the UK currently operates with other global partners, for example with Australia and Canada, “on which this could be modelled”; at present 18–30 year olds from both Canada and Australia can apply for a Tier 5 (Youth Mobility Scheme) visa.

While the white paper explicitly seeks visa-free travel for tourism and ‘temporary business activity’ or business trips (see para 76, p 33), it is less explicit on whether students moving to study would require a visa, instead referring to reciprocal arrangements to “facilitate mobility for students and young people”.<sup>23</sup> This distinction was reiterated in the statement of the Secretary of State for Exiting the European Union, Dominic Raab, who told the House of Commons that:

The Government will also seek a reciprocal mobility arrangement with the EU, in line with the approach we intend to take with other key trading partners around the world.

In practice, having ended free movement, this is about enabling firms to move their top talent across border to deliver services, facilitating travel without a visa for tourism and business trips, and making sure that our students and youngsters, in the UK and EU, continue to benefit from the educational opportunities in universities, colleges and indeed the rich tapestry of cultural life across the continent.<sup>24</sup>

## **Other Challenges**

The Government’s policy of the inclusion of overseas students in net migration figures (the difference between those who come to the UK for periods of at least twelve months and those who leave it) is one which has received criticism, with organisations such as Universities UK calling on the Government to abandon it policy.

At present, students who come to study and stay for more than twelve months are “migrants” under the UN’s definition and included in the net migration statistic. In January 2018, the House of Commons Home Affairs Committee report, [\*Immigration Policy: Basis for Building Consensus\*](#), argued that there should be different approaches for different types of immigration and noted:

The Government has been clear that there is no cap on the number of international students who can come to study in the UK or remain in the UK to work after their studies if they meet the points-based criteria. However, the Government includes international students in its target of limiting net migration to 100,000 per year [...]

International statistical rules require students to be included in the way migration is calculated but we do not believe that it is logical or in the best interests of the UK to include international students in a target based on restricting migration flow, given that they represent a large group of migrants who are in most part temporary and whom the Government is keen to encourage to come to the UK. There should be no national target to restrict the numbers of students coming to the UK. As a minimum, the Government should remove immediately student migration from the net migration target.<sup>25</sup>

Despite criticism, including from some parliamentary committees, the Government's line remains that the Office for National Statistics is responsible for the production of the net migration statistics:

In line with the internationally agreed UN definition, these statistics define a migrant as someone changing their normal place of residence for more than a year. Students are therefore included in the same way as other migrants. There is no limit on the number of international students who can come to the UK and there are no plans to change this. So long as students are compliant with immigration rules they should make a very limited contribution to net migration numbers.<sup>26</sup>

In addition, critics have argued that the April 2012 abolition of Post-Study Work Visas, which previously allowed Tier 4 students to stay on and work for two years after their studies, has impacted upon the UK's attractiveness to overseas students. A 2017 report, produced by London Economics for the Higher Education Policy Institute, examined the impact of the change to visa arrangements on the attractiveness of the UK to overseas students. The report estimated that the change was associated with a 20 percent decline in enrolment at undergraduate level.<sup>27</sup>

Aside from these policies, Jack Moran, writing in the *Guardian* points to "more aggressive internationalisation strategies elsewhere" as having an impact of the UK's standing:

Other nations have set ambitious export targets, which are beginning to bear fruit. Russia's ministry of education is aiming to triple international enrolments between now and 2025. The impact is clear: 70 percent of Russia's ranked universities are rising in our internationalisation measures. Its flagship university, Lomonosov Moscow, is continuing to make headway within the top 100.<sup>28</sup>

This view is echoed in the *Economist*, which highlight the negative impacts on the economy of "making life harder for foreign students" while other countries "wooed them", which has meant that British institutions now have a smaller share of a larger market:

One change would be to remove students from the government's target to limit net migration to under 100,000 a year. Another would be to extend the time graduates are allowed to spend hunting for a job in Britain. Either would be welcome. But a more sensible government would look at how to recruit more foreign students, not just refrain from turning them away.<sup>29</sup>

In February 2018 the Higher Education Commission, chaired by Lord Norton of Louth and Professor Simon Marginson, launched an inquiry into higher education exports, which sought to examine how to improve the ability of the sector to export higher education.

### Further Information

- House of Commons Library, [International and EU Students in Higher Education in the UK: FAQs](#), 21 February 2018 and [Higher Education Student Numbers](#), 7 February 2018
- Higher Education Statistics Agency, [Where Do HE Students Come From?](#), accessed 11 July 2018.
- House of Commons Education Committee, [Exiting the EU: Challenges and Opportunities for Higher Education](#), 25 April 2017, HC 683 of session 2016–17 and [Government Response](#).



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- <sup>1</sup> Department for Education, [UK Revenue from Education Related Exports and Transnational Education Activity: 2010–2014](#), July 2017, p 6.
- <sup>2</sup> Higher Education Statistics Agency, [Where Do HE Students Come From?](#), data from tables for Figures 10 and 11, accessed 11 July 2018.
- <sup>3</sup> Department for Education, [UK Revenue from Education Related Exports and Transnational Education Activity: 2010–2014](#), July 2017, p 6.
- <sup>4</sup> Higher Education Statistics Agency, [Where Do HE Students Come From?: Transnational Education](#), accessed 6 July 2016.
- <sup>5</sup> Department for Education, [UK Revenue from Education Related Exports and Transnational Education Activity: 2010–2014](#), July 2017, p 7.
- <sup>6</sup> House of Commons Library, [International and EU students in Higher Education in the UK: FAQs](#), 21 February 2018, p 5.
- <sup>7</sup> Universities UK, [The Economic Impact of International Students](#), March 2017.
- <sup>8</sup> Higher Education Policy Institute, [The Costs and Benefits of International Students by Parliamentary Constituency](#), January 2018, p vi.
- <sup>9</sup> *ibid*, p iii.
- <sup>10</sup> ComRes, [The Soft Power 30: A Global Ranking of Soft Power](#), July 2015, p 26.
- <sup>11</sup> House of Lords Soft Power and the UK's Influence Committee, [Persuasion and Power in the Modern World](#), 28 March 2014, HL Paper 150 of session 2013–14, p 98.
- <sup>12</sup> All Party Parliamentary Group on Universities, [Briefing: Higher Education as an Export](#), 20 December 2017, p 9.
- <sup>13</sup> HM Government, [The United Kingdom's Exit From, and New Partnership With, the European Union](#), February 2017, Cm 9417, p 26.
- <sup>14</sup> Department for Education, [Government Confirms Funding for EU students for 2018 to 2019](#), April 2017.
- <sup>15</sup> Department for Education, [Further Financial Support for UK and EU Students](#), 2 July 2018.
- <sup>16</sup> Eleanor Jubb, [You Say stability, I Say Stagnation](#), Universities UK Blog, 11 January 2018.
- <sup>17</sup> UCAS, [June Deadline Analysis: Domicile](#), July 2017. See also FullFact, [Have University Applicant Numbers Fallen in 2017?](#), July 2017.
- <sup>18</sup> House of Commons Education Committee, [Exiting the EU: Challenges and Opportunities for Higher Education](#), 25 April 2017, HC 683 of session 2016–17, p 3.
- <sup>19</sup> House of Commons Education Committee, [Exiting the EU: Challenges and Opportunities for Higher Education: Government Response](#), 30 November 2017, HC 502 of session 2017–19.
- <sup>20</sup> House of Commons, [Written Question: Overseas Students: EU Nationals](#), 6 March 2018, 129833.
- <sup>21</sup> HM Government, [The Future Relationship between the United Kingdom and the European Union](#), 12 July 2018, p 14.
- <sup>22</sup> *ibid*, p 34.
- <sup>23</sup> *ibid*, p 33.
- <sup>24</sup> Department for Exiting the European Union, [SoS. Dominic Raab Statement on the Future Relationship Between the United Kingdom and the European Union](#), 12 July 2018.
- <sup>25</sup> House of Commons Home Affairs Committee, [Immigration Policy: Basis for Building Consensus](#), 15 January 2018, HC 500 of session 2017–19, pp 24–5.
- <sup>26</sup> House of Lords, [Written Question: Overseas Students](#), 29 January 2018, HL5023.
- <sup>27</sup> London Economics, [The Determinants of International Demand for UK Higher Education](#), January 2017, p 3.
- <sup>28</sup> Jack Moran, [Top 200 Universities in the World 2019](#), *Guardian*, 7 June 2018.
- <sup>29</sup> Economist, [There are Far Fewer Illegal Student Migrants than Britain Thought](#), 2 September 2017.

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